Member of Audit Bureau of Circulations

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The Readers' Forum

Sirs:

We who own a few shares of this and that ought to feel sort of cheered up, now that Franklin D. is offering his pipe of peace to the business chiefs and Rex Tugwell is in Rome or somewhere. I do feel cheered up—some; but does Roosevelt really mean it or did he have his fingers crossed? And if he's smart enough to fix everything for us why did it take him eighteen months to find out that the profit system can't work without business confidence any better than my Ford can run without gas and oil?—L. S. P., Chicago, Ill.

We hope he means it. We don't know why it took him eighteen months to perceive the obvious.—ED.

Sirs:

The other day I had occasion to converse at length with a man who has had the best training possible in matters of finance. He was a bank examiner for many years and now practices law and holds a professorship in one of the law schools. As a political student he has studied deeply the Communist system of Russia and has given public lectures on these same principles that are being forced down the gullible throats of the American people today.

In sum and substance, he warned me against investing money or holding any form of investment in this country. He predicts that all Government indebtedness is slated for repudiation. Business corporations are to be ruined so that their securities are rendered valueless and then taken over by the Government. Money, in keeping with similar happenings in history, will become of no value. What is happening now, he said, was laid and planned several years ago and is only the beginning of the program. He advised me to buy Canadian or other good foreign bonds. Now from your supposedly far-seeing advantage point in the financial forest, do you behold anything similar as has been presented?—C. V. G., Washington, D. C.

We lack the piercing eye of an ex-bank examiner, but we gazed into our crystal ball a moment ago and do not see the picture you paint. It may be beyond the horizon, and no doubt would shape up alarmingly if the New Deal continues indefinitely to run up more and bigger deficits. We believe popular opinion will call a halt before the dollar goes to the dogs. We believe Canadian bonds in the long run will prove no better than American bonds. As for the Communistic plot, we think Dr. Wirt had a bad dream.—ED.

Sirs:

The author of the Deane Plan stated that the "entire national income is expended for either producers' goods or consumers' goods." As a matter of substantiated fact, not less than 30% to 40% is expended on various forms of entertainment entirely outside the realm of economics; at least the economics involved in production and distribution.—C. W. W., Brooklyn, N. Y.

If your contention is a substantiated fact we would like very much to see the substantiation of it. If our personal budget is typical, the percentage of national income spent for entertainment can hardly be more than 5% Whatever it may be, moreover, anything spent for goods, for services, for entertainment, amusement or recreation or what not is most assuredly within the realm of economics.—ED.

Sirs:

Your article on gold stocks was very good, but in my opinion you touched too lightly upon the possibility of a tax on newly mined gold. The industry faces not only a tax of 100% of the increased price over and above $20.67 per ounce, but seizure of the mines themselves by the Government. It is no great stretch of power from that which enables a government to seize private-owned bullion to the power to appropriate the mine from which the gold is produced. Congress needs tax money. Gold producers are few and helpless, so what could be easier than to take the producer's profits?—E. C. W., St. Petersburg, Fla.

Sirs:

There are 63,000,000 of us—the insurance policy holders. We are all stockholders and bondholders in many of the greatest business corporations in the world. I mean exactly that. For years we have been investing our money. Whenever we have paid our periodical premiums we have been making investments. One's insurance company is an investment trust. Its assets are largely bonds and stocks in the soundest corporations and real estate mortgages. Our policies, therefore, depend in large measure for their worth upon the safety and prosperity of the corporations whose securities the insurance companies have purchased on advice of their experts.

For the year 1932 nearly 23% of the holdings of the insurance companies were in railroad and public utility securities. I do not contend that the conduct of the railroads and the utilities has by any means been blameless; but it is possible to correct their wrongs—whatever they may be—without destroying them or their earning power. Take a look at the earnings and market prices of these securities as they have declined in response to recent agitation and legislation, which if not checked will lead to their total destruction.

The insurance obligations outstanding amount to more than 100 billion dollars or probably one-third of the total wealth of the whole country. It is up to us—the 63,000,000 of us—to give serious thought to the protection of our insurance policies. With many of us they represent our total savings and accumulations during our lifetime. Surely to save these now is a matter of paramount importance to us.

Have we not followed catch phrases to our peril? There has been much said about human rights being above property rights. I fully agree that human rights should be supreme. But is not our right to security in our insurance holdings an eminently human right? Think it over.—J. M. H. F., Lakewood, Ohio.

We do not have to "think it over." The New Dealers have done nothing more absurd than to attempt to draw vague and nebulous lines between property rights and human rights. Certainly as regards the safety of the vast property assets which pledge the human rights of the millions of insured, there should be no question. If every insured person understood as clearly as you do where their real interests lie, there would be far fewer inflationists, wealth-redistributors and general hell-raisers in Congress.—ED.

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WITH THE EDITORS

Snap Judgment

SPECULATION is such a common word that the vast majority of people have forgotten its real meaning, if they ever knew it. To most it is synonymous with gambling, so that a certain odium attaches to any individual known primarily as a speculator.

Yet Bernard M. Baruch, one of the most successful of speculators who ever loomed large in Wall Street, takes pride in that word "speculator." His conception of it is far different from the public conception.

If you will go to the dictionary and trace back this word to its historical origin you will find that Mr. Baruch is right. The Latin word was *speculatus* and the corresponding verb was *speculari,* which meant "to spy out; to observe." Hence the dictionary definition of our word "speculate" is: "To ponder a subject in its different aspects and relations; to meditate; to contemplate."

Many famous speculators have made and lost great fortunes. Mr. Baruch is notable in that he both made and kept a great fortune. Perhaps one of the reasons was that he understood the real meaning of the word "speculate"—to ponder a subject in its different aspects and relations; and, having pondered, to see the probable future results and to act upon them before they occur. Such is the high art of the true speculator.

From this it is a far cry to the sheep-like snap judgment of impulsive traders who rush for quick profits which they think are justified by news developments or otherwise known events.

On a recent day, less than fifteen minutes before the close of trading on the New York Stock Exchange, the news tickers flashed a brief message that the Supreme Court of the District of Columbia had held the compulsory Federal railroad pension law unconstitutional. On snap judgment there was a frantic rush to buy rail shares. Most of these issues advanced by more dollars per share than the pension law would have cost them. One, Pennsylvania, went up by $2 a share, although the compulsory Federal pension would have cost it less than its present voluntary pension system. Moreover, the court's decision was on a technicality subject to partial elimination if the next Congress so chooses. Finally, the United States Supreme Court will have the last word. Only a few hours after the buying rush rail stocks had lost virtually all their gains.

Speculative snap judgment of the President's fireside speech of September 30 put the market down. Second thought put it up. Snap judgment on his more recent address to the convention of American bankers also put the market down. It remains to be seen what second thought will do in the present instance.

It is a good rule to observe, to ponder, to meditate. The trader who rushes in for fear of missing the boat usually regrets before very long that he caught it.

In The Next Issue

Companies Whose Earnings Exceed the Boom Peak and Why

By GEORGE L. MERTON

The Key to Recovery

Our Biggest Consumer of the Products of Other Industries

By JOHN D. C. WELDON

How Safe Is A. T. & T.'s Dividend

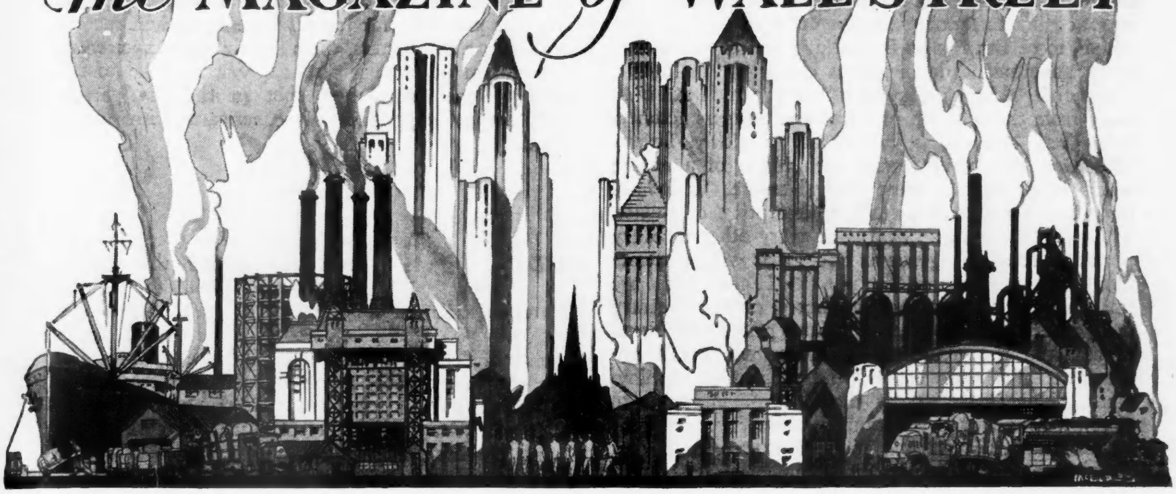
By FRANCIS C. FULLERTON

The Trend of Commodity Prices

Agricultural Products — **Raw Materials**

By C. S. BURTON

The MAGAZINE of WALL STREET



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Associate Editors

The Trend of Events

— Showdown for N R A

— Business in a Dilemma

— Concerning Brains

— Man Bites Dog

— Golden Tide

— Not So Heavy

SHOWDOWN FOR N R A

A LUMBER manufacturer in Alabama who admittedly has done all that he can do to flout the provisions of the lumber code has escaped punishment because counsel for both sides have agreed to make an N R A test case of his offending for the Supreme Court. In another lumber case involving the constitutionality of price control a U. S. judge has supported such control with a restraining order, but only on the condition that prompt appeal be taken to the higher courts. The first case involves not only the basic constitutionality of the National Industrial Recovery Act, but also the more restricted question of whether Congress has the right to pass an act which interferes with production of goods within a state even by attempting to fix wages and hours. The other involves chiefly the question of the right of Congress to delegate its powers to the President as they were delegated in the Act, and poses the question, thereby, of minimum price fixing by the code authority. Both cases appear to imply willingness, at least, of the Government to submit the whole N R A fabric to a final judicial test. It may be that the Government is convinced of victory in both, but it is more likely that it is now entirely willing to take a chance on defeat. The flight of time is bringing N R A to its statutory end and the attrition of experience and public opinion is wearing it out. Moreover, N R A is no longer a big factor in the Administration's business recovery program. The chances are that the latter cares little (for present purposes) what may be the outcome of the litigation, but it has an excellent reason now for urging the courts to interpret the law. Interpretation is needed as a guide in drafting the law to replace or extend N R A which is now being written and must be laid before Congress within the next three or four months. By the time the ultimate decisions are rendered, N R A will have done its best, or its worst, and will have served its purpose as an emergency measure. The decisions relate rather to its resuscitation than to its demise.

BUSINESS IN A DILEMMA

BUSINESS would not be human if it did not find current satisfaction in huge governmental spending. There is every indication that

the rains of cash from Washington are causing business activity to sprout wherever they fall—and elsewhere, too. But there's the lurking apprehension that every government dollar drives out a private dollar, and thereby delays profound recovery; which can only come from the reflation of automatic business activity. Subsidized business is notoriously a sickly flower. Moreover, this governmental spending is of a nature which keeps business from doing likewise. It inflates labor and material costs to the absorption of profits. The need of business now, as in every other recovery period, is to supply goods at prices that will be attractive to the possessors of thin purses. Higher prices are not the need of industrial producers; on the contrary it is orders that are needed. Low prices will breed orders, and the resulting production will breed employment and more orders, and then more employment. Huge spending by the Government tends to raise prices while the spontaneous order file is empty—which means that it will indefinitely remain empty, unless something like a miracle happens. But in the meantime something is to be looked upon as decidedly better than nothing. And maybe the miracle will happen.

CONCERNING BRAINS

A CERTAIN lack of public respect attaches to the word "brain truster" because the New Deal in its laudable search for qualified experts to administer specialized governmental agencies has gathered to itself altogether too many who are neither qualified nor expert. A "brain trust" eminently worthy of the description happens to be aggressively and capably pushing the Federal housing campaign, yet, curiously, one never hears the term applied to this particular group. Perhaps this is because it is but slightly larded with professors.

Among them are a former vice-president of the Standard Oil Co. of New Jersey, one of the key executives of the General Motors organization, a former vice-president of the Guaranty Trust Co., a National City Bank vice-president, a successful Chicago architect, a sales executive formerly identified with two nationally known corporations, etc. What a team this is! They will get results if anyone can. "Brain truster" would be a title to conjure with if all were of this stamp.

MAN BITES DOG

WHEN a man bites a dog, that's news. It's also news when American investors in foreign bonds get back their money with a fat profit to boot. Can it happen? It can and it has. The banking firm of Kuhn, Loeb & Co. has just announced redemption, as of November 1, of the outstanding principal amount of $43,722,000 of bonds of the French cities of Bordeaux, Lyons and Marseilles. This is the first large maturity of foreign bonds to be met at the equivalent of the gold value of the bonds. Due to the depreciation of the dollar, each $1,000 bond will be redeemed at approximately $1,680. Since the dollar's depreciation has produced far less than an equivalent increase in domestic living costs, these bondholders experience a fat gain in purchasing power. We are glad to take note of one tiny bright spot in the not particularly happy experience of Americans with foreign bonds.

GOLDEN TIDE

THE Department of Commerce reports that during the first six months of 1934 the United States experienced a net inflow of gold amounting to $900,000,000 at the new value of the dollar. In the month of February, even on a weight basis, the imports exceeded all monthly records of the past. Moreover, in the six months we gained $560,000,000 of capital funds from abroad. This gain was in part the net result of purchases here by foreigners of $850,000,000 of securities and the purchase abroad by Americans of $625,000,000 of securities. Foreigners bought $490,000,000 worth of American securities and repurchased $346,000,000 of their own securities. At the same time Americans bought back $370,000,000 of their securities and purchased $255,000,000 of foreign securities. These movements indicate on both sides a preference for American securities. Foreigners and internationally minded American investors seem to agree that American securities are a good buy. The home staying investor is too near the American scene to get a good perspective. In due time he will follow the external lead, but not until the astute foreigners and internationally seeing Americans have taken much of the gravy of the inevitable rise in the price of securities.

NOT SO HEAVY

THE electrical equipment makers are usually described as being primarily identified with the heavy, or durable goods, industries. As such, depression laid a heavy hand, indeed, upon them. The country has been weeping over their sad lot, pining for the time when they would lift us all back to prosperity. Either some of these so-called heavy industries are not as heavy as we had thought or they are experiencing a mysterious ground swell of recovery strong enough in its miscellaneous demands to over-ride the "hopeless" obstacles so frequently pointed out. Consider the case of the Westinghouse Electric & Manufacturing Co. Its report for the third quarter shows orders received 12 per cent larger than in the corresponding period of last year, while orders for the first nine months of this year were 49 per cent larger than for the first nine months of 1933. The company lost $363,787 for the nine months, against $7,083,641 in the preceding comparable period. Considering the low level of general business activity, that is a remarkable comeback. Obviously, only a small further gain would put it safely in the black. The company states it is "encouraged by the improvement shown." So should we all be, for it bears significantly upon general recovery.

As I See It ~ By Charles Benedict

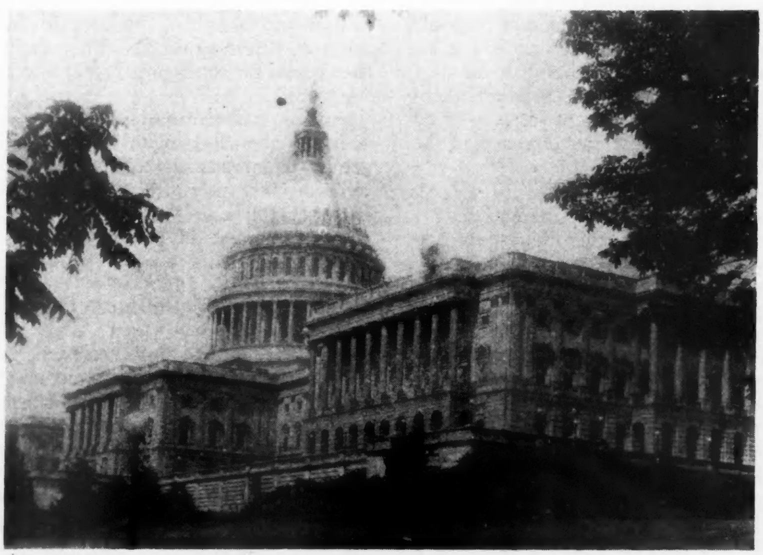
Taming the Wild Men

THE elections are over, after an uninteresting fanfare of campaigning largely devoid of inspiring issues in which the candidates made their appeals almost solely on the basis of past and prospective expenditures of public funds. The most spectacular feature of the campaign was the functioning of the new and possibly best organized political machine that has ever functioned on a national scale.

Now the spotlight of national interest shifts from the Administration to the newly-elected Congress. How radical will the composite character of this body turn out to be? No accurate diagnosis can be made on party lines, for some of the Western Republicans are known to be as liberal in regard to monetary matters and the Government's participation in private business as some of the staunchest of the New Dealers.

There may well be a cleavage between radical and conservative groups, without regard to traditional party lines, which may tax to the utmost the President's skill in maintaining the control by which he hopes to steer Congress down the middle of the legislative road.

The President has recently succeeded in relieving at least some of Capital's fears of the Administration. His successful efforts in winning over the bankers to a more co-operative attitude,—and the overtures made toward big business, signalized by a series of conferences with many of its leaders, have restored some of the confidence necessary to dispel the existing business lethargy; but it is still clearly recognized that if the left wing of the new Congress gets out of hand, the Administration's present inclination toward moderation may be bent in the other direction. From Mr. Roosevelt's management of the last Congress we know that he can lay a firm hand on the steering wheel. We know that he can push the accelerator to the floor, but we have had no convincing test of the brakes. They may be the most necessary part of our legislative machinery after January 1.



Nesmith Photo.

There can be no doubt of the President's control of a majority of the conservative element, but what of the "wild men" of Congress—the adherents of unbounded inflation, the exponents of $12,000,000,000 spending schemes, the advocates of redistribution of wealth? In comparison with them Mr. Roosevelt appears a conservative.

It is such thoughts as these that responsible business men ponder as they view the prospect of the next few months. It was doubtless such considerations that prompted the bankers to demand some restoration of conservative principles in the form of a balanced budget. A return to moderation and sound finance, a cessation of experiments and artificial stimuli is what is asked as the price of enduring confidence. Henry Ford expressed the view of most business men when he recently advocated that private industry as well as the Government abandon the "alphabet schemes" and substitute "good sound American business sense."

If the President begins to favor some such homely policy, he will not need to seek the support of business and banking for that will be his without asking. The help that he will need is the voice of the American people—the only voice that Congress ever heeds.

Can he summon it to his overwhelming support in blocking any dangerous stampede of his Congressional majority? I believe he can, but it will require a demonstration of even greater firmness and a more convincing singleness of purpose than Mr. Roosevelt has revealed up to the present time. It will require him not only to take a sound position in opposition to dangerous and radical legislation but to fight stubbornly for it and brook no compromise with any Congressional group.

He will need the courage of a Grover Cleveland in stating sound principles, and the fighting technique of an Alfred E. Smith in taking those principles directly to the people at large over the radio.

He knows the technique. All that will be necessary is to summon back some of the courage which he displayed immediately following his inauguration.

Market Forming New Base

Currently Weighs the Administration - Business Truce

By A. T. MILLER

AFTER failing to summon enough energy to extend the recovery which began in mid-September, the stock market over the past fortnight has slid slowly and quietly off of the recent trading shelf. This might be taken as a significant and disappointing technical signal, were it not for the fact that it appears merely to have chosen another trading shelf upon which to doze, a couple of points down on the average from October's best price level.

Stocks Recommended for Current Purchase

DuPont	Commercial Credit
Borden	Great Western Sugar
General Electric	American Cyanamid
Gulf Oil	Continental Oil
National Lead	Liggett & Myers "B"
Union Carbide	Pillsbury Flour
Lake Shore Mines	United States Gypsum

In short, this composite mind of the investors and speculators of the world—weighing favorable and unfavorable factors and uncertainties which fall into neither classification—appears for the nonce to believe that the thing to do is to sit as patiently as possible upon the fence and wait for something to happen.

That is why trading on the New York Stock Exchange is currently creeping along at a rate of around 15,000,000 shares a month, a figure in curious contrast with that five-hour turnover of more than 16,000,000 shares on a certain black day a little more than five years ago when most of us thought we were in for a mild depression.

We fully realize that in thus ruminating upon the market's apathy and indecision, we take a considerable chance; for under the New Deal almost anything can happen at almost any time—and frequently does. Barring some such unpredictable firecracker from Washington, however, there appears to be little or nothing in the current scene to bring about a decisive market movement in either direction in the immediate future.

Favorable Factors

On the favorable side, one can point again to the continuing absence of any general or significant liquidating pressure; and to the fact that over a period of more than a year the market has repeatedly and convincingly marked out a price level of firm support only moderately under the present position. In the immediate setting there would seem to be no reason for another test of that resistance level; and if there is not, the scope of desultory reaction would hold little promise of giving the average short-swing trader room enough to turn around.

But if these considerations are favorable, they also are largely negative. On the other side of the picture the twin "double top" of August and October has offered an obviously formidable resistance to advance. Thus, the trading range within which the market has sloughed around since the bullish excitement of the summer of 1933 shows a tendency to get narrower and narrower. Over the past three months the maximum fluctuation of most representative stocks has scarcely exceeded 10 per cent.

This is not surprising when one examines the character of the major price determinants that have long operated on this market. Last year's major stock recovery was founded on both an inflationary psychology and a sharply rising trend of aggregate corporate profits. Under normal conditions corporate profits—actual, potential or even hoped for—constitute the single most dynamic market influence. Not even the introduction of the inflationary theme in our national economy by the New Deal has been able more than temporarily to blanket the speculative influence of the trend of business profits.

At the present time, with the Administration simultaneously planning a huge refunding operation for next April and trying to conciliate capital in the interest of orthodox recovery, inflation has lost its force as a dynamic speculative stimulant. This does not mean at all that the longer picture has changed or that our fundamental monetary uncertainties have vanished. They can not vanish as long as the Federal deficit mounts higher and higher with each passing month.

And in this continuing inflationary background, as well as in the prevailing logical expectation that general business activity is more likely to advance from present levels than to decline, we have virtual assurance that there can develop no general urge on the part of investors to liquidate sound equities for cash of certainly doubtful future purchasing power.

Sound Investment Policy

This setting, as we have consistently reiterated, commands the patient retention of good common stocks by investors, in preference to fixed-income securities; and justifies commitment of additional surplus funds in such equities either around present price levels or at such moderately lower levels as intermittent reactions will from time to time provide.

It need hardly be said that for traders interested in the near-term outlook the formulation of a rational policy is a far more difficult thing. The recent short-term swings have been very narrow and conceivably can continue so for an

indefinite time. There is, as above stated, no immediate stimulus in the Administration's monetary policies.

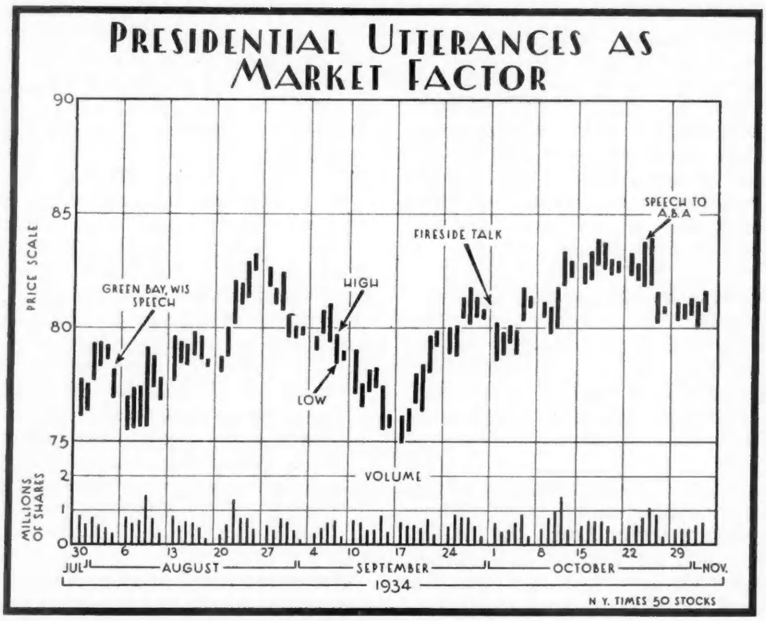
And while some stocks favored by excellent earnings manage to creep quietly up to new highs in an apathetic market, most are not of the active type that fire the speculative imagination; and in the general trend of corporate earnings, moreover, there is little at present conducive to dynamic speculation. The third quarter earnings reports may be described as virtually a stand-off, in that about half thus far issued compare favorably with the second quarter and with the third quarter of last year, while the other half compare unfavorably.

In a great many instances the higher costs of materials and wages have come home to roost, not a few companies making less money out of enlarged gross. As low cost inventories are worked off and have to be replaced at present prices, this cost factor will further influence profits of many corporations.

Volume Needed

There is a way out, of course, and only one way. Clearly a substantial rise in the gross volume of business is needed. A moderate rise has already started, as most business indexes show; and, on the whole, it seems probable that this will tend to gather momentum after the turn of the year. If conviction grows that the first quarter of 1935 will offer more promise than either the third or fourth quarter of the present year, speculation will not await the proof to discount it. We are close enough to the end of the year to begin to consider such possibilities.

On this basis, and on the theory that the market as a whole is unlikely to descend through the previous lower level of the year's trading range, it would seem a valid premise that intermediate trading purchases made on a scale down in any nearby reaction should hold reasonable promise of profit sometime within the next two months, even though the nearer promise is certainly less than impressive.



PRESIDENTIAL UTTERANCES AS MARKET FACTOR

It must be frankly conceded that thus far the President's recent efforts to reassure business and finance have been given a decidedly lukewarm reception by the stock market. This consensus of opinion may or may not be right, but as a practical matter it can not be ignored. Possibly the verdict is that the basic uncertainties inherent in our unbalanced budget and in the prospect of further large scale Federal spending for an indefinite time outweigh such partial assurance as the President has been able to give.

Possibly, also, the general instability of the New Deal in its twists and turns since March, 1933, justifies on the part of business men a certain scepticism in the permanence of the recent alleged "turn to the right," in which case doubtless some further reassuring utterances or actions from the President may be needed. It is our belief they will be forthcoming.

Grounds for Uncertainty

Meanwhile we can not deny that there are clouds on the horizon which may or may not prove serious, but which in any event are likely to be a source of considerable uncertainty in the near future. The biggest of these clouds is Congress, which will assemble early in January. Business and the stock market will be anxious to see its temper as regards large scale appropriations, the national monetary policy, labor legislation, railroad legislation and many other matters.

Nevertheless, it is pertinent to point out that such fears as center here are well recognized; and that fears well in advance of the event usually prove to have been discounted in the stock market. Moreover, it would appear a reasonable guess that, at least from a longer range viewpoint, stock prices have a better than even chance to advance whether Congress steers sanely down the middle of the legislative road or goes on a spending picnic. In the first event, business fears will be relieved and a considerable rally in business activity would be likely. In the second event, the threat of inflation could scarcely fail again to become a more dynamic influence on common stock prices.

The second important cloud now visible is a recurrence of labor disturbances. That strikes have broken out against the largest chain grocery concern and are threatened against others in the same field is not as important as the plainly discernible reality that the capital-labor truce urged by President Roosevelt only a few weeks ago has all but vanished into thin air.

The leaders of the American Federation of Labor are reported to have come to the conclusion that their demands for Federal enforcement of their own interpretation of Section 7-A of the Recovery Act will not be met; and that their policy should be both to make further legislative demands on Congress and to seek to gain wage and hour concessions by use of the strike weapon.

One can devoutly hope that the Administration can find means of surmounting this hurdle, for it becomes ever clearer that the labor muddle created with such good intentions by the last session of Congress has become one of the major obstacles in the path of business confidence and recovery.

As for the immediate business records, the best that can (*Please turn to page 105*)

Happening in Washington

By E. K. T.

Bankers went home from their annual convention here in a sullen mood of co-operation with the Government. They bowed to the logically inevitable and the strategy of their leaders. They are conquered and submissive but they are not happy. The President told them that the public had confidence in them but they needed confidence in the public. Although their own managers framed up the setting of the President's address (Jackson Reynolds—adroit curtain raiser for the President's talks), so that he had an excellent excuse for saying nothing about balancing the budget and next to nothing about a fixed dollar, there was great disappointment in the rank and file of his auditors. They had hoped that the President would give them something on which to build confidence in their business. They didn't get it.

I think most of the bankers were confirmed in the impression which they brought here that the Government is drifting toward inflation, not intentionally but because of its tremendous expenditures and because it has no anchor of a fixed policy. At the same time they were imbued with the feeling that they must dutifully endeavor to promote Administration policies lest evil days befall them.

You may expect an energetic policy of cultivating loans which will prove helpful to industrial recovery although reflecting no gain in banker's enthusiasm for the many and various New Deal policies.

It sounds like borrowing trouble, but it is a fact that there is much apprehension among bankers regarding deposit insurance. It is likely, they say, to lead to reckless banking and is already resulting in careless management of banks as business institutions which should avoid destructive competition, such as the rendering of free services in order to attract deposits.

A certain result of the co-operative discipline which the bankers are imposing on themselves will be a speeding up of Federal Housing Administration Loans. At the last report as this is written only 2,500 banks had actually made such loans, although 8,500 have "signed up" with the F H A. If you have been turned down for a modernization loan you would better try again.

Housing as the way to climb out of the depression is more and more in favor with the Administration. Great things are expected of the program for new individual houses to be financed by private loans under a species of government subsidy in the way of insurance of the whole risk. This part of the F H A is just starting. Originally, it was intended to hold it off until after the first of the year, but it came to be felt that the pepping up effects of modernization were not potentially large enough to get quick results. Moreover, it has been found that modernization is not broad enough in its effects on the durable goods industries; it does not reach the basic industries to any great extent. Companies in the secondary industries manufacturing plumbing, bath room equipment, heating and air conditioning equipment, electrical goods are getting the lion's share of the patronage, while the building material industries are getting unappreciable benefits.

But the modernization campaign has been an invaluable approach to new housing, because it is awakening the industries which depend upon building to the golden possibilities of a new order in home construction: low interest charges, abolishment of the second mortgage and long periods of gradual repayment.

President, as usual, when confronting a new proposition, is indulging in the luxury of contemplative indecision with an idea fathered by Mr. Ickes, to stage a colossal additional program of unproductive public works plus a vast mass-housing scheme and a colossal expansion of subsistence homesteading designed to eliminate squalid housing throughout the nation. The project is painted up for his consideration as one which would be a sure-fire business primer. The marked failure of the present program of P W A to prime the pump is thrust aside as being due entirely to its smallness. This country is a big pump, it is argued, and requires a smashing amount of priming. Instead of the mere two billion or so that actually has gone into public works out of the $3,700,000 assigned to P W A, there is talk of spending two billion or so a year for the next five years, including mass and subsistence housing.

Something big is certainly brewing along this line. Remember that the Roosevelt Administration is committed by its sensational record to stirring innovations. Better shape your business with a view to adapting it to a Federal construction program of unparalleled magnitude, tied in with the most stupendous efforts to stimulate such a private building boom as has not been known since 1926.

Balancing the budget at some time or other is to be reconciled with mighty construction expenditures on the theory that the latter will soon reduce public relief to a small figure by absorbing the unemployed. It is certain that the President will outline a budget-balancing approach when he presents the 1936 budget and the 1936 models of expansion to the Congress.

Congress—probably militant and cocky—will be coming to town in less than two months. President is developing a strategy of frustration for the boys who used to make the laws. The plan is to load them up with such a host of Presidential legislative projects that they will forget their own troublesome schemes—for something perhaps better or get so balled up that they can't rebel in unison.

But bonus bill, warmed up by Miami conclave of the Legion, is sure to pass. Veto will be sustained—that's the outlook now, but the situation is jittery.

Foreign Trade is a big preoccupation with the Government. President has definitely dropped self-containment theory except as we may be driven to it by policies of other nations. It will be an endless job to get back into work the 2,500,000 men who used to live on the production of goods for export, unless export trade is recovered.

Correspondent asks what has become of the American Liberty League. It went into retirement until after election. Couldn't take the risk of activity during a campaign which had every promise of mixing it up with defeat in its first battle. Hopes that it may find common ground, in spots, with the President during coming session of Congress.

Incredible as it may seem, it appears that out of $1,000,000,000 allocated by P W A to non-Federal projects only $15,000,000 has been expended. These little drops of priming evaporate before they reach the plunger. Business men should keep in mind that the bulk of P W A money has not yet been put into circulation, although allocation was completed in August. Look for the effects of priming money next year.

Treasury's daily statements carry a figure that the President will make much of when he comes to ask Congress for further financing of recovery, relief and reform. Note that out of appropriations of that nature totaling around $13,000,000,000 some 6 billions have not been spent. In the fiscal year so far, only a little over a billion has been expended. It will take some fantastic spending to put out six billions in the next eight months.

Labor has overplayed its hand. Recrimination is rife in the councils of its leaders: subject, golden opportunity lost: Definite hostility towards the President is developing. Refusal of the Department of Justice to prosecute in the Houde case has strengthened the company unions. The labor problem may eventuate in a struggle between the vertical unions, opposed to the A. F. of L. trades unions, and some modification of the vertical company unions.

Lieutenant-President is now an adequately descriptive title for Donald Richberg—lieutenant, mind you, not vice. Richberg, since the consolidation of the Executive Council and the National Emergency Council (with the newly established Industrial Emergency Committee attached), has become in name, as he was in fact, the President's chief-of-staff for recovery, reform and relief.

He is more powerful than any cabinet officer. When you reflect on Richberg's aggrandizement, label him as a liberal; he is neither a radical nor a hide-bound conservative. The horoscope is for more realism.

Cotton production limitation is out for the future, although A A A is asking for still more power of control of agriculture. The folly of scuttling away from the world market for cotton is becoming apparent.

Business revival in the agricultural districts has the tycoons and pundits of the Administration titillating with joy. They declare that by next spring the revival will be sweeping the whole country. The durable goods industries are in for special governmental invigorators, but the official view still is that heavy industries must eventually trail consumer industries in activity, profits and employment.

Another flock of government financing is on the way. This will test the President-banker entente. If the test is not favorable, look for some species of unorthodox financing which will give you a kick in one meaning of the word or the other.

Washington Sees—

Break between President and American Federation of Labor.

Future N R A mostly a labor document.

Congress to pass bonus again—Veto.

Business pump to be primed in 1935—if it has to be submerged in cash.

Prices to go up in near future if there is an "up" in their lexicon.

Agriculture staging a brilliant and perhaps an enduring come-back.

Country covered with mass-housing projects.

Subsistence homesteads everywhere.

Private capital building hundreds of thousands of residences.

Richberg as Lieutenant-President.

Believe it or not, the insurance companies are making new farm loans. A A A control, hundreds of millions of dollars in benefits, destructive weather, Federal Farm Credit Administration loans, and higher prices are putting gobs of carmine into the composite picture. That picture's growing glamour derives ultimately from a mixture of inflation and deflation. Between foreclosure and friendly scaling down of amounts and interest, about $2,000,000,000 have been lopped off the farm mortgage debt, and at the same time farm commodity prices have reflated or inflated. When examining the general business outlook keep one eye on the fact that farm income is up 30 per cent over last year. Country merchants know it.

National Industrial Recovery Board (successor to General Johnson) is drafting new N R A law to succeed the Industrial Recovery Act in June. This draft will place the emphasis on labor relations and clear up the administrative confusion under the celebrated Article 7(a). It will clearly define the factors of collective bargaining, and will be of such a nature as to give an open field for the development of company unions.

Aside from labor it will provide for a basic code of fair competition, very simple. Price and production control, except within a narrowly defined field, will go out of the window. Minimum prices will be ruled out.

Another price rise hint has come from the President. He gives rising prices in the next six months as a reason for restoring Federal employees to full ante-depression pay. This may be interpreted as an intimation of another shot in the arm of the less-gold cure, of probable international stabilization, or of confidence that dilution of the currency will soon register in prices. Perhaps he foresees a money-mad Congress sweeping the Government into printing press inflation or a money-profligate government roaring into credit inflation. Maybe he sees only normal reflation (let's hope that's it) but take it from me: prices will up decidedly in the next eight months.

Coming Changes in Money and Banking

The Second in a Series of Two Articles

By Robert H. Hemphill

"America's banking system is outmoded, archaic, and incapable of performing functions essential to the economic safety and national welfare."
"Prescient basic banking reforms are necessary. Reformation and correction in retrospect of comparative trivialities will not suffice."
(Report of Senate Banking and Currency Committee)

ANCIENT history of the early development of commercialism presents the picture of a limited group of shrewd and more or less unscrupulous traders, whose transactions were a series of bickering and cunning manipulations; the strenuous effort to obtain unwarranted advantage in the purchase and sale of goods.

The ethics of modern production and merchandising was completely absent. The whole area of trade was regarded as an adventurous, off-color vocation in which success was invariably the result of continued sharp practice. It is only in comparatively modern times that merchandising and industry have been regarded as proper occupations for responsible and honorable men. In many European nations it is still a social handicap.

Our modern banking systems evolved from the cupidity of the ancient goldsmiths and money changers, who began by surreptitiously loaning the gold and silver entrusted to them for safe keeping, during the owner's absence.

Later on, for convenience and safety, the deposit receipts of the most prominent money changers began to circulate in the payment for goods instead of the actual gold or silver. As this practice grew these shrewd gentry soon discovered that they could secretly issue receipts for more gold or silver than they actually had on deposit.

They received just as much interest or "usury" as it was then called, for the phoney receipts as for the genuine.

As they charged from 20 per cent to 100 per cent for short term loans, the ones who escaped disaster soon became rich, important and powerful factors in their respective nations. There was always certain of the impecunious nobility, even royalty, indebted to and ready to defend them.

As civilization developed, the pressure of business to be transacted, always requiring a greater volume of money than the available supply of gold or silver, compelled the tolerance and gradual acceptance of these practices until they became embedded as an essential element in the commercial structure of all nations, and our modern banking systems are but the elaboration of these practices.

Banking and currency legislation will be in the forefront of discussion at the coming session of Congress. The debate will be watched with intense interest, for its outcome directly involves every one of us. In view of this prospect we are glad to present this absorbing article and its predecessor, Your Money and Mine, which appeared in the issue of October 27. Mr. Hemphill's views are of course his own, but whether one agrees with him or not his discussion is most interesting and informative.

The modern incorporated bank may legally lend its promise to deliver on demand, eight to fourteen times the money it actually has.

The borrower receives credit upon the books of the bank for the proceeds of his notes. This credit is then a "deposit." Against this credit he draws checks which are accepted for goods and services. These checks perform every monetary service. They are deposited by the persons subsequently receiving them, and considered as "money in the bank."

This is the manner in which all our bank deposits originated. The currency and coin actually in the vaults and reserve funds of all banks was paid to them for their capital and partially paid in surplus, and serves as a fund to guarantee the payment of any part of these credit deposits in cash on demand.

Under ordinary circumstances, this cash "legal reserve" of approximately 10 per cent is considered ample so far as the safety of the bank is concerned. Only a small fraction of the depositors ordinarily require substantial amounts of currency or coin.

To society, the important point however, is not in the safety of the bank as a depositary.

The important point is that in creating these deposits the commercial banks manufacture the principal money we have to transact business with.

These bank deposits, the proceeds of hundreds of thousands of commercial bank loans, circulating rapidly from one person to another in the continuous exchange of goods and services, constitute a great revolving fund of synthetic money, more than 90 per cent of all the money in circulation. As the supply of this synthetic money has progressively increased, our whole vast, intricate industrial and commercial empire has developed and expanded to create the increasing volume and variety of goods

whose exchange is made possible by the expanding supply of this synthetic medium of exchange.

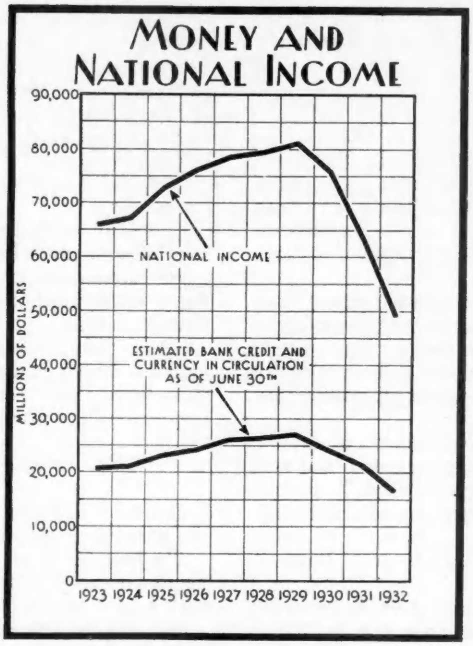
The loose screw in such a monetary system is that this synthetic money is not permanently in circulation. It is loaned temporarily by the banks.

As long as their loans constantly increase, expanding the volume of this synthetic money in keeping with our increase in population, and our ambition for a progressive elevation in the general standard of living by production and exchange of more goods and services, this bank credit is a satisfactory substitute for money.

It is when the supply of this synthetic money is contracted by the wholesale calling of loans that we come immediately to grief. Bank loans are paid by checks against demand deposits, which decreases the volume of this circulating medium of exchange and business transaction is necessarily arrested in precise proportion. We then have a depression, which almost no one seems to understand because it is so simple.

This system vests the complete control of the exchange of goods and services in the 14,500 banks of the nation.

From the banker's angle the incentive to expand this synthetic money is purely and properly a private profit motive—to create earnings for the stockholders of these institutions. The equally proper incentive to contract it is to obtain currency and coin with which to meet anticipated demands of the creditors of the institutions—the depositors.



To society however, it means that the functioning of our great producing and distributing mechanism depends absolutely upon the unrelated and unorganized action of 14,500 independent competitive bank managers, many of whom have little conception of the fact that their optimism or pessimism controls our prosperity.

The average banker regards his loan to a customer as a private and confidential transaction between his bank and his customer, and disclaims responsibility for the social and economic effect which his extension or contraction of credit creates. His vision ends with the borrower.

A Cause of Depression

To sum up our situation therefore, we find that we have 14,500 independent, unorganized, uncontrolled institutions, each one of which may expand or contract the volume of our medium of exchange. In prosperous times the bank manager, inspired by the ascending profits of his community, naturally and unconsciously continues to expand our synthetic money beyond the point of actual inflation. At the first sign of danger, real or imagined, the prudent bank manager begins calling his loans, initiating immediate liquidation, which if continued, brings on the worst of our upheavals—depression.

As the depression deepens, our whole asset structure is deranged, prices and values decline, which forces bank managers into drastic means to enforce further liquidation. Ruthless foreclosure by the banks becomes the only doctrine consistent with their preservation.

We have therefore an uncontrolled and uncontrollable system which will naturally and unconsciously initiate periodic inflation, and which equally often is compelled to destroy business and industry to preserve itself.

It is to bring this wayward force under control that various legislative measures have been proposed. Nearly all the proposals offered focus on some central banking or monetary authority under governmental control.

The weak point in these central bank proposals is that they offer little or no improvement over the present system. The argument is invariably identical with the principal argument advanced by the original advocates of the Federal Reserve system, which was believed to have all the advantages of European central bank systems with no avoidable defects.

The problem of controlling the expansion or contraction of bank credit in these 14,500 individually owned, independent banks, is wholly different from that presented in any other country.

In England for instance, the five principal commercial branch banking systems transact 95 per cent of the business of the British Empire. Their capital and cash reserves consist wholly of Bank of England notes. Their reserve is maintained largely by rediscounting with the Bank of England, therefore the Bank of England can almost instantly and completely control the extension of credit by the commercial banks in the British Empire, by requiring from time to time, a greater or smaller reserve, and by encouraging or discouraging these commercial banks to rediscount.

Norman Montague says:

"The principal function of the Bank of England is to regulate the trade and commerce of the British Empire."

The social and political angle must also be considered. The English social compact contemplates the existence of two classes—an aristocracy—the ruling class, and the common people—the peasant class. The English view was tersely stated by Alexander Hamilton, who sought to duplicate the English system in America:

"I believe the British government forms the best model the world has ever produced. All communities divide themselves into the few and the many. The first are rich and well born; the other, the mass of the people."

Economic Control

Progress toward visible democracy in England has been a gradual dilution of political control by the aristocracy, but they have retained and substituted invisible economic control of the nation by rigid control of the volume of money in circulation, through their compact branch banking systems, dependent upon the central bank of issue, the Bank of England.

Mayer Anselm Rothschild, who founded the great Jewish international banking houses of Rothschild, which through their affiliation with the European central banks, have dominated the financial policies of the eastern hemisphere for nearly two centuries, said:

"Permit me to issue and control the money of a nation, and I care not who makes its laws."

The central bank controlled by the aristocracy is the most effective mechanism for controlling the economic status of a nation, through an invisible government of which the population is in complete ignorance.

Here in America we have a democracy in which, at least theoretically, every man is guaranteed equal opportunity, and this is the basis of the opposition to a central bank of issue.

In our early history when the population was small and largely agricultural, the expansion or contraction of the supply of money had an instantly visible effect upon the transaction of business.

The Power of Credit

There was no confusion in anyone's mind. Expansion of the currency instantly increased the visible exchange of goods and services. The term "inflation" and the adroit phrase "quantum theory of money" had not yet been invented by the entrenched classes in their struggle to preserve the economic control of the country.

The organization of a central bank with the power to issue currency or credit was clearly visualized by our democratic patriots and intelligent business men generally, as the creation of the nucleus for an invisible autocracy which would eventually overthrow the constitutional government.

John Randolph of Virginia said:

> "Charter a bank with thirty-five millions of capital; let it be established and learn its power, and then find, if you can, means to bell the cat. It will be beyond your power; it will over-awe your congress and laugh at your laws."

William Pitt, Chancellor of the Exchequer of England, said:

> "Let the American people go into their debt-funding schemes and banking system, and from that hour their boasted independence will be a mere phantom."

In addition to several proposals for a central bank, it has been proposed to establish a central monetary authority, which would have more or less the same powers which are now vested in the Federal Reserve banks, or the Secretary of the Treasury and the President.

I have examined carefully all of the bills which were presented in the last Congress or are proposed to be presented in the next, and with one exception I see no practical difference or advantage over the present Federal Reserve system.

I do not believe any central banking authority can exercise more than a weak influence over our 14,500 independent banks. The managers of these banks are governed by local conditions and views, always modified by the ever present necessity for preserving public confidence, as a means of preserving their institutions.

The difficulty at the moment is that these banks cannot expand commercial and industrial credit. The bankers have, in the last few years, learned one lesson which will never be forgotten, and that is that 95 per cent of our normal credit demand is for capital loans, and that commercial banks cannot create demand liabilities out of capital loans. If they attempt it, they are immediately unliquid—frozen, and it is only a question of time until demand of their depositors cannot be met.

The credit deposits which formerly were created by these capital loans must be supplied from some source. This is the very essence of our failure to recover normal business activity. The money or its substitute to permit increased activity does not now exist.

The one exception to all the various measures offered is the bill S-3744, offered by Senator Bronson Cutting in the Senate, and simultaneously, by Representative Patman in the House, during the closing days of the last session.

This bill proposes to make a fundamental change in the banks themselves. It would eliminate bank credit as a circulating medium of exchange, and in my opinion, for the first time in the history of civilization, would set up an adequate monetary system which would be governed by law and could be neither expanded nor contracted by any group, financial or political.

The provisions of the bill sound simple and easily accomplished, but the effect would change our whole monetary system.

Instead of using for our principal medium of exchange bank deposits created by loans, we would use the same quantity of bank deposits created by the deposit of actual currency, which would be held by the bank in trust for the depositor, in cash.

We would invest our surplus and profits in time certificates of deposit and savings deposits, and 95 per cent of these funds would be loaned by the banker, 5 per cent being retained as a reserve fund.

How It Would Work

Instead of extended comment, let us attempt to visualize the actual operation of this proposed measure.

On June 30, 1934, all the banks of the nation had in demand deposits, 14,881 millions of dollars. Against this they held 4,442 millions in currency and coin, and 10,301 millions in government bonds.

This bill proposes that the Treasury purchase from the banks their government bonds for cash. As a practical matter the Treasury would call these bonds, and the banks would be given credit for these bonds on the Treasurer's books. The Treasury would become the depositary for all bank funds. These Treasury credits would be payable on demand in gold or silver currency—Treasury certificates. It would not be necessary to actually issue additional currency, although the bank might have for its currency needs any portion of its deposit with the Treasury in gold or silver currency.

Nesmith Photo.

The banks then would have their demand deposits in cash and thereafter all banks and bankers would be required to hold all demand deposits in trust for the depositor, in cash. This would of course settle for all time the depositor's anxiety regarding his "money in the bank." Our banks would be the safest depositaries in the world.

From the banks' angle, they would forfeit the revenue now derived from the interest on these bonds, which amounts to approximately 350 million dollars annually.

To replace this revenue they would be permitted to charge a service fee for handling demand deposits — checking accounts. A uniform fee of $1 per month per account on the 56 million accounts which the banks now have, would produce an annual revenue of 672

(*Please turn to page* 108)

Inequalities of Taxation Demand Correction

Heavier and Heavier Taxation Will Be Necessary to Balance the Budget — The Burden Must Be More Equally Divided

By HENRY L. BLACKBURN

DEATH and taxes are symbols of certainty, but while death comes but once and is invariable in amount taxes are perpetual and endlessly increasing.

In 1790 it cost $6,000,000 a year to run the Federal Government, or about $1.50 per capita of the population. In 1934 the Federal expenditures bill is approximately $10,000,000,000, or $80 a head. In the former year, local and state expenditures were trifling in amount, they are now approximately ten billions a year. Total taxes per individual are getting close to $200 annually.

Taxes, if not taxation, will amount to more and more as prosperity returns. The colossal extraordinary costs of the emergency are being paid out of borrowings, rather than taxes, but that only means that taxation will have an increased burden to bear in the future. Already the federal public debt is up about $12,000,000,000 above what it was when the economic cyclone struck; it will go up at least seven billions more before the business seas are smooth again. Those huge accretions mean that the cost of the debt service will ascend by $300,000,000 annually for interest, and at least $500,000,000 more for amortization.

State and local expenditures and, consequently, taxes are irrepressibly expansive; a new product of public function always breeds others. The whole picture of the economic future of the nation will be colored by the size of the tax burden and the manner of its distribution. The burden can not be lightened but it can be more equitably adjusted, both as between persons and regions. *If it is not adjusted to the character of the nation's economy it will have disastrous effects on national expansion and well being.*

Taxes will in the end determine our success in foreign commerce and in our industrial activity at home.

There is a point at which the taxpayer will cease to work for the sole benefit of the public treasury, there is a point at which taxation means not revenue but its disappearance.

The principles of adjusting the wind of taxation to the shorn lamb taxpayers were clearly laid down more than 150 years ago by Adam Smith in these four maxims:

1. The subjects of every state ought to contribute towards the support of the Government as nearly as possible

in proportion to their respective abilities, i.e., in proportion to the revenue which they respectively enjoy under the protection of the State.

2. The tax which each individual is bound to pay ought to be certain and not arbitrary. The time of payment, the manner of payment, the quantity to be paid ought all to be clear and plain to the contributor and to every other person:

3. Every tax ought to be so levied at the time or in the manner in which it is most likely to be convenient to the contributor to pay it.

4. Every tax ought to be so contrived as both to take out and keep out of the pockets of the people as little as possible over and above what it brings into the public treasury of the State.

In the United States the peculiar political structure contributes powerfully to the potentialities of taxation and to a diversification of devilish and innumerable ways of reaching the pocketbook of the citizen. We have the Federal government, the state government, the county governments, villages, cities, towns, school districts, particular assessment districts—all equipped with efficient apparatus for extracting revenues from the unoffending victim; and all run by politicians, a breed of human bacillus which grows fat in a "pork" culture.

"It would be a most salutary thing in relation to politics and government if every income earner directly paid something, even if little, into the national treasury."

The coincidence of areas of separate taxation and separate spending by the Federal and state governments afford a magnificent opportunity for unholy union of pork and fiscal injustice. Unimportant and poverty-stricken localities, paying little or nothing into the national funds, are enabled thereby to live on the wealthy and efficient communities. Federal funds, which have always poured unequally into the sparsely settled and slightly developed states and territories are now cascading into them as they are withdrawn from the pockets of people elsewhere. One form of unequal taxation makes loafers and political indigents out of individuals while another corrupts whole communities. The chart on the opposite page pictures this inversion of benefits and burdens between the states.

Together, the tax leviers and collectors are in a position to flout every one of Adam Smith's canons—and they do. Rotten as the aggregate was congenitally, it was not so bad until an indirection of national policy led to the introduction of the Federal income tax, a species of taxation that was thought to be unconstitutional until the Supreme Court changed its mind.

Easy Money for "Pork"

This gave Congress a pipeline into the private treasuries of the nation. Having a bank-full reservoir of funds, Congress proceeded to spend recklessly. The war emergency confirmed the spending habit, and presently where we were formerly disbursing Federal funds at the rate of half a billion a year, three billions became the norm. The chances are that within ten years five billions will be considered normal, considering that the present emergency spending will not only leave behind it a vast debt but will have still more confirmed the big spending habit.

The Federal income and inheritance taxes are the made-to-order implement of the growing breed of reformers by taxation. In the top brackets the latter take 63 per cent of a rich man's income. When he dies they take 60 per cent of what he has left. Besides, some of the states take a slice of what is still left, and also levy income taxes of their own.

The old methods of indirect taxation, which still flourish, undoubtedly give the poor man the worst of it, but still the well-to-do have to pay them in addition to most of the direct taxes. *There are 45,000,000 people in this country normally engaged in what the census calls gainful occupations but only two million of them pay a Federal income tax.* In 1930, when there were 3,707,000 individual income tax returns; people with net incomes under $1,000 making returns numbered only 150,000, and they paid only $4.68 apiece on the average. The average per capita tax paid by the 268,000 people having taxed net income of $4,000 to $5,000 was only $11.23. The total income reported by persons having incomes of $5,000 and less was $9,200,000,000, and their taxes but $14,000,000 out of the grand total of $477,000,000. They had more than 40 per cent of the reported gross income but paid only 2 per cent of the taxes.

Making all due allowance for the modern interpretation of Adam Smith's "proportional" taxation as "progressive," i.e., that the larger the income the higher the *rate* of taxation, it is allowable to suspect that if a man with a net income of $5,000 pays his national government only $11.23, he is hardly holding up his end. It may be that the reason is that he is over-taxed by state and local authorities. In England the personal exemption is the equivalent of about $600, and the middle class income pays about 25 per cent.

This year the total tax bill of the people of the United States is around 11 billions, which is close to 25 per cent of the national income. At present this proportion is not exceeded by any other great nation in the world, whereas in 1925, the proportion was 11 per cent, as compared with 25 in Britain, 20 in France and 29 in Germany.

Destructive Incidences of Taxation

It is obvious that in taking to itself a quarter of the national income such a complex and irrational conglomerate of ways and means of collecting taxes as we have must work great injustices and, through unequal or irregular incidence, impede the economic machine. It seems almost hopeless to dovetail national, state and local taxation into a non-pyramiding whole, but it is possible to rationalize national taxation although politically difficult. It would be a more salutary thing in relation to politics and government, if every income earner directly paid something, even if little, into the national treasury. He would feel a proprietary interest in his national government which is now lacking. To him that government is something from which he expects much and to which he contributes nothing. Extravagant national management means nothing to him. He is not visibly and directly affected whether the Government spends five billion or ten billions a year, but he may well be impressed with the idea that the more the Government spends the better things may be with him.

In the past election campaign we have seen this "pork barrel" conception of government carried to the nth degree. Millions of citizens voted not with concern as to the mounting costs of government but with an eye single to the moneys that might be coming to them directly or indirectly from the Government. When people look upon Government as something apart from them, something to support them instead of something for them to support, democracy is on the way to become mobocracy. We have a taste of this mobocracy already in the spectacle of relief workers rioting

(*Please turn to page* 104)

Where the Money Goes

Analyzing the Government's Expenditures

RECEIPTS
(IN MILLIONS OF DOLLARS)

INCOME TAXES	223
MISC. TAXES	553
PROCESSING TAXES	166
CUSTOMS	93
INCOME FROM SECURITIES (FOREIGN & DOMESTIC)	13
PANAMA CANAL	7
SEIGNIORAGE	50
MISCELLANEOUS	16
TOTAL	1,121

← SINCE JUNE 30, 1934 →
(FISCAL YEAR 1935)

U S TREASURY

EXCESS OF EXPENDITURES
$707,033,182
AS OF OCTOBER 15

EXPENDITURES
(IN MILLIONS OF DOLLARS)

GENERAL	813
EMERGENCY	
A. A. A.	81
FARM CREDIT	16
FED. LAND BANK	11
FED. EMERGENCY RELIEF	444
CIVIL WORKS	8
EMERGENCY CONSERVATION	117
DEP OF AGRIC. RELIEF	41
P. W. A.	424
MISCELLANEOUS	8
*TOTAL	1,828

*ALLOWING FOR EXCESS CREDITS RFC & FED DEPOSIT INSURANCE

In the above diagram is shown the Revenue and Expenditures of the Federal Government from June 20, 1934, to October 15, 1934. The item "General expenditures" above includes all the general expenses of running the government, i.e., the general departments, public buildings, river and harbor work, national defense, postal deficiency, interest and retirement of the public debt, etc. The so-called "Emergency" expenditures are shown in more detail. It will be noted that expenditures exceed revenues for the first three and a half months of the fiscal year by more than 700 million dollars.

The table below shows how the various loans, discounts and expenditures have been made to the individual states. The gross disparities between amounts paid and the revenue arising from taxation paid in various states is ample illustration of the inequalities of our present system of taxation, or of our system of dispensing government aid, or both.

Loans, Payments and Expenditures by the Federal Government to Various States

(Figures in Millions)

State	Income Tax Receipt	AAA Loans and Benefits	FERA Grants	Farm Credit Loans & Discounts	RFC Loans Authorized	PWA Allotments
Alabama	1.9	13.6	27.0	15.6	32.5	17.8
Arizona	0.5	0.6	8.0	11.2	9.5	15.2
Arkansas	0.9	15.4	21.9	18.1	51.2	16.4
California	57.5	2.4	46.4	128.2	425.2	81.0
Colorado	4.6	1.7	13.6	23.4	20.0	21.0
Connecticut	15.5	0.3	10.5	3.2	27.2	9.9
Delaware	12.9	0.1	1.5	0.9	2.9	7.7
Florida	4.5	0.7	24.5	19.0	18.4	23.9
Georgia	5.0	13.2	25.3	35.1	19.7	20.2
Idaho	0.4	2.5	5.0	37.3	12.1	10.7
Illinois	63.5	8.8	76.9	85.6	365.0	111.3
Indiana	8.9	10.4	19.2	51.2	64.9	56.4
Iowa	4.2	28.1	12.3	119.0	82.2	17.8
Kansas	3.0	24.8	12.3	77.8	17.2	19.4
Kentucky	5.1	3.0	15.5	34.3	40.9	16.4
Louisiana	4.8	7.3	25.2	27.6	200.5	20.3
Maine	3.4	....	4.1	9.4	64.3	4.4
Maryland	25.9	0.9	18.5	7.7	121.6	49.7
Massachusetts	39.6	0.3	43.8	21.0	71.7	44.5
Michigan	28.2	1.1	49.7	37.6	355.3	35.9
Minnesota	10.6	8.9	26.6	97.0	36.4	39.2
Mississippi	0.6	14.7	17.9	31.8	33.7	14.8
Missouri	22.1	14.0	25.8	28.8	99.2	42.8
Montana	0.7	4.7	10.0	40.3	12.6	68.9
Nebraska	2.6	14.7	11.7	100.4	20.6	26.3
Nevada	1.7	....	1.9	8.4	7.0	10.2
New Hampshire	1.5	....	3.1	1.0	4.7	5.4
New Jersey	41.3	....	36.7	6.4	168.3	71.5
New Mexico	0.3	1.1	5.7	17.3	9.7	8.8
New York	260.9	0.1	142.1	21.5	653.5	240.0
North Carolina	13.0	10.6	16.4	33.7	55.9	21.4
North Dakota	0.3	11.0	13.6	81.7	12.6	9.9
Ohio	37.9	9.1	59.9	46.5	430.4	93.8
Oklahoma	5.9	20.6	21.8	31.9	24.1	16.3
Oregon	1.7	1.9	9.5	35.7	16.7	59.0
Pennsylvania	66.5	0.8	107.5	14.7	264.5	228.3
Rhode Island	6.1	....	3.7	0.7	3.5	9.4
South Carolina	2.0	9.1	18.3	29.9	31.8	15.0
South Dakota	0.3	8.9	21.9	54.5	15.5	10.9
Tennessee	5.2	6.1	17.4	26.0	113.6	23.9
Texas	16.3	61.6	36.1	214.6	111.9	90.2
Utah	0.9	0.6	8.0	20.6	19.1	18.0
Vermont	0.6	....	2.0	3.3	23.2	3.6
Virginia	8.8	2.0	9.7	18.8	38.3	19.0
Washington	3.7	4.4	15.0	36.5	51.0	27.0
West Virginia	3.6	0.2	21.5	5.4	37.9	44.0
Wisconsin	7.8	3.7	29.3	67.0	90.3	28.5
Wyoming	0.4	0.3	3.0	21.8	5.6	17.2

The President Is Trying to Restore the Confidence of Capital

Basic Monetary and Budget Uncertainties Remain with Us

Will Business Respond to New Government Policies?

By John D. C. Weldon

THERE are some indications that the New Deal has belatedly awakened to the simple reality that a capitalistic system can not function satisfactorily without capitalistic confidence.

In this fact we have the most hopeful development that the final quarter of a generally unsatisfactory year has introduced into the business picture. But while it is undeniably hopeful, it is far less clear to what extent it will be a major determinant of the actual course of business activity over the next few months.

A great variety of factors related and unrelated, operate on the business trend at any given time, making the weighing of their relative importance difficult. The timing of remedial governmental action, however, is certainly scarcely less significant than the action itself.

Indicators of the Trend

Watch:

The volume of commercial loans for evidence of business confidence in inactively using credit.

Mr. Roosevelt's forthcoming utterances and acts for confirmation of the attitude toward capital.

The rate of Federal spending and appropriations. The faster they rise the more the majority of business men will be disturbed.

For an early test of the President's control over Congress.

Such indexes as car loadings, electric power output, steel operations, automobile production, check payments and others.

For example, one may say that the tremendous business advance of April, May, June and July, 1933, was due to our abandonment of the gold standard, the introduction of an inflationary motif into our national economy, in contrast with the deflationary motif which reached its final crescendo in the banking panic; and to a rush of "business man" buying in anticipation of N R A code prices. But the sharpness of the gain was equally due to the fact that business had plunged to an abnormally low level, that business men had been buying from hand to mouth for several years, and that stocks were low. At the top of that remarkable spurt—with production briefly at a normal level in contradiction of a still depressed level of public consumption—no action that Mr. Roosevelt could possibly have taken would have produced further business gain.

The analogy is pertinent to the present situation. At its recent low point of recession, business activity was at approximately the level of May, 1933, when recovery from acute crisis had just started. This level was also approximately that of January, 1933, a parlous interval between the exit of Mr. Hoover and the entrance of Mr. Roosevelt, when the banking storm was looming just over the horizon.

Now if we eliminate from the picture the worst period of mid-1932 and the banking holiday period, it becomes apparent that in early October business had got down to a depression level about as low as could be anticipated if it was not to lose all touch with the realities of existing public purchasing power. Moreover, that recession was accompanied by, if not in part caused by, a drift to more conservative business policies, by the working off of stocks of goods of all kinds, by a retreat from price-raising in finished goods.

In short, we can say that business activity reached a solid base a few weeks ago. From this it follows that, other things being equal and with or without special governmental stimulation, some degree of improvement can logically be expected over the next few months, probably with the rise expanding with the seasonal impulse normal after the turn of the year. As a matter of fact, the composite indexes already show the gradual beginnings of such a change for the better.

What we are concerned with, therefore, after some five months of recession, is not a question whether there is to be a recovery from recent low levels, but the probable scope of such recovery and the degree by which changing governmental policies and attitudes will affect it.

For more than a year the business index of The Magazine of Wall Street has fluctuated within a depression range between a lower level of approximately 65 per cent of estimated normal and an upper level of 80 per cent of normal. It is at this writing closer to the bottom of this well defined range than the top.

Obviously, a recovery confined merely within this range would not represent a major change in our economic position, however gratifying it would be in comparison with the present low level.

Obviously, also, either another intermediate recovery or a major recovery will depend upon two different levers. The first, and most desirable, is the lever of private

initiative. The second is the lever of governmental support, as represented by the Government's disbursement of purchasing power.

As regards this second support for business, it is well to bear in mind that the Government at present is spending more than $500,000,000 a month and running up a deficit of nearly $250,000,000 a month. On this support and all present private support, this publication's business index is around 65 per cent of normal.

It would thus appear clear, then, that without a substantial expansion of private support, an almost impossible burden of Federal spending would have to be assumed even to lift business back toward the top of the depression range that we have known for the past year. It is even more clear that by far the major reliance would have to be placed upon private support if business activity is to be lifted decisively above that range.

The vital question now confronting us, therefore, is not how much the Government will spend in the next few months in public relief, housing or what not, but whether the policies the Administration is now following will contribute to the much desired revival of private business initiative and expansion and, if so, to what extent.

Righting Mistakes

On this point one is forced to concede that thus far the change for the better is both limited and somewhat nebulous. In the rationalization of N R A we see on the part of the Administration a more practical and realistic concept of the country's economic problems. But the mistakes of N R A cannot be righted overnight and their very liquidation can scarcely fail to be a disturbing business factor, for it is always easier to upset established business relationships and cost factors than to restore the vanished *status quo ante.*

In Mr. Roosevelt's proposal of a truce between capital and labor in the interest of recovery we see a helpful gesture—with no assurance that it will be more than a gesture. In various previously non-union fields determined organizing efforts are being conducted; and few, indeed, are the major industries which feel any real assurance that strike troubles will not again break out whenever the national union leaders feel that the time is opportune.

In other respects we are, unfortunately, on even more nebulous ground in attempting to reason whether the Administration's present emphasis on recovery—rather than reform—will actually impart any substantial lift to the confidence, and, therefore, the initiative, of capital and of business.

For it is words that we encounter at this point, rather than specific actions. Mr. Roosevelt has pleased business by stating in plain language that he relies upon the driving force of private initiative and that he believes in the American profit system; by negotiating an apparently friendly truce with the bankers of the nation; by hinting that he desires international stabilization of currencies at the earliest possible time; by promising that the Government will withdraw from its vast credit operations as fast as private credit takes over the load.

Only Partial Reassurance

If anyone has been so foolish as to believe that Mr. Roosevelt consciously desired any fundamental change in the traditional American social and economic system, we have here words that can be taken as reassuring. If anyone believed, further, that Mr. Roosevelt consciously desired a destructive currency inflation, that person also may find assurance in the President's recent utterances.

But the matter is not so simple. The real doubt is not what Mr. Roosevelt consciously desires, but the wholly unpredictable status into which the country may drift under a continuation of the New Deal policies. Possibly nations have been deliberately destroyed, but more often than not they have drifted to their ruin. It is the largely involuntary compulsion of events that holds fearsome doubts when once a nation departs from established ways, when once governmental authority expands beyond the accustomed scope, when once concession is made to special pressure groups, when once the tempting lure of inflation is embraced.

Now, of course, one must admit that Mr. Roosevelt cannot instantly balance the Federal budget, not even predict the time when it can be balanced. For this and other reasons, moreover, one must also admit that he cannot immediately and irrevocably stabilize the dollar.

Nevertheless, the cold fact remains that the budget is badly out of balance; that none knows when it will be balanced; that none can predict the ultimate worth of the dollar.

And against these realities—wholly abnormal to American business—what effect can reassuring *words* have on the decisions of business men in the conduct of their affairs? Because of the words that Mr. Roosevelt has spoken, will the average business man gamble on the future by placing larger orders for goods? Will he buy any new machinery not desperately needed? Will he enlarge his factory or store? Will he build a more modern plant? Will he construct a new residence?

In the writer's opinion these intensely practical questions answer themselves in the negative; and it is the level of

(*Please turn to page* 106)

Significant Foreign Events

By George Berkalew

Foreign Representative of The Magazine of Wall Street

War? Not Now, Perhaps Ultimately

Following the initial shock of the crime committed against Jugoslavia and France by the assassination of King Alexander and M. Barthou, time has passed in which to make calm appraisal of the situation. Ominous apprehension, of course, still reigns throughout Europe, but it is not the same panic-stricken apprehension as existed immediately after the murders.

The Little Entente, offspring of the Versailles Treaty, has acted as a political bridge between Central Europe and the Great Powers and, while the countries affiliated to this group have governed many times harshly, have oppressed opposition factions sometimes ruthlessly, still to date unity has been maintained and peace preserved. There is much loose talk that the Little Entente has cracked up, that its usefulness in maintaining the *status quo* in Europe is at an end. This supposition is far from the truth. On October 19, Rumania and Czechoslovakia announced by communiqués their solidarity with Jugoslavia and simultaneously five powers, including in addition Greece and Turkey of the Balkan Entente, demanded that terrorist activities cease or "conflicts are inevitable".

The long arm of coincidence struck an untimely blow at Barthou's policy of European conciliation. Whether the tragedy of Marseilles was more than a coincidence, history may never reveal. Certainly Hungary, although previously warned by the League, has passively countenanced the presence of undesirable aliens who have pursued technical training in the use of bombs and other implements of destruction. Hungary's assertions of official irresponsibility remain unconvincing.

Jugoslavia, on the other hand, can by no means present a clean bill of health. Within the frontiers of the latter country, Nazi officers have had free play to exercise their machinations against the law and order dictatorship of King Alexander and nearly succeeded in driving up Mussolini's already high blood pressure to the bursting point. This method of furthering European foreign policy is common practice, predicated on the principle that anarchists are cheaper than armies.

As to Italy, her effusive pronouncements of collaborative intent are no more than whitewash to cover the Duce's foreign policy of self-centered nationalism. As far as Italy is concerned, the moment is not propitious to act otherwise. Her diplomatic tactics during the past ten years have been too smart to succeed, and Italian cleverness has merely served to alienate Italy's most valuable alliances. Estranged from Germany, she now refuses to relinquish her self-imposed dictatorship over Jugoslavian destinies or resign her directorship of Austro-Hungarian economic evolution. With her own economic situation rapidly approaching ruinous bankruptcy, Italy is in no position to dictate terms concerning the ultimate settlement of the Central European controversy.

With the appointment of Laval as French Foreign Minister, the policy of European conciliation instigated by the late M. Barthou will unquestionably be perpetuated. The rash presumption by the foreign press of a Jugoslavian "ultimatum" was immediately discredited by the French Foreign Office, which recalled only too vividly the disastrous implications of this word in 1914. Similar repercussions are not expected at the present time. If the guilt of the dual assassination cannot be laid at the proper door through customary diplomatic channels, the controversy has every chance of being given a good airing before the League Council, in the hope that now as heretofore any crucial issue of international import will die a natural death.

While Europe has been converted since the Armistice into a veritable ammunition dump, no one is willing at this stage to set off the fuse. The high-pressure rearmament of Germany has not reached its culmination; Mussolini's eight-year-old soldiers have not reached their maturity; Russia has not reached the economic security of her second Five-Year-Plan, while Japan has not reached the acme of her imperialistic dominance in the Far East. Consequently, the prospect of war is not on the immediate horizon; on the distant horizon war-clouds give cause for serious alarm.

* * *

Economic Necessity the Mother of Inflation?

France, having seen the writing on the wall, assembled in Brussels on the 19th of October, representatives of the "gold bloc" countries. The conference is a desperate effort to stave off inflation in the face of stagnant industrial activity, of declining fiscal revenues, and of disproportionate commodity price levels.

This task is by no means an easy one. With France the epitome of protectionism, with Belgium essentially a free-trader, with Holland primarily a banking center but also with colonial products to market, with Poland exclusively agricultural, with Switzerland vitally interested in drawing the European tourist trade to her own doors, and finally with Italy first, last and always for Italy, the chances of forming a mutually beneficial economic federation are decidedly remote. In truth, the gold bloc is not homogeneous, either economically or geographically.

France constitutes the only large market of the group. While France may be willing to open the tap for a trickle of Belgian exports, the magnitude of her vested interests, from concierge to deputy, obviously prevents throwing

open the flood gates for an inundation of the exportable surplusses of her colleagues.

The French Minister of Agriculture, following tactics similar to those employed by our own much-publicized Secretary, conscientiously objects to any plan of collaboration which does not indiscriminately favor the farmer. Consequently, there is small chance of Poland's securing an added outlet for her agricultural production in the sales territories which the new Union provides. Another stumbling-block—since practically all of the countries concerned have granted most-favored-nation treatment abroad, the attempt to juggle with this clause in commercial treaties has, on the basis of precedent, excellent opportunity of stirring up a mare's nest of reprisal measures in other quarters of the world.

The Brussels conference may be boiled down to one consideration; the last stand of the gold bloc countries, united in a common cause more psychological than tangible, to challenge the monetary policies of the rest of the world.

France is genuinely alarmed at the prospect of a further devaluation of the pound sterling and the dollar. As for Belgium, her abandonment, any day now, of the historic standard would occasion no surprise.

* * *

As the English See It

There has been much speculation in London concerning the future course of the two leading world currencies, the pound sterling and the dollar. The American Ambassador, R. W. Bingham, pronounced in his latest speech that in the long run the welfare of both Britain and the United States would be benefited by the stabilization of the two currencies in relation to each other. English bankers assert that the next move in monetary control rests with the President and until some indication of policy is forthcoming from this source any bilateral financial negotiations would be impracticable.

In the meantime, England continues to patiently and methodically fortify the pound's international position. Already Scandinavia, Portugal, Egypt, Canada, South Africa and the other dominions are to all intents and purposes on a sterling basis. Following out the same aims, English financial missions have been sent to Brazil and the Argentine as well as to other quarters of the globe, to overhaul local monetary machinery. In the city, it is predicted that overseas lending which has declined to negligible proportions since the War is gradually taking on a new lease of life. Ever since 1920, the world has been struggling to get debts down to a reasonable proportion to the gold in which they have been expressed. At the present time a great deal of blood-letting has already taken place and the debt burden in consequence has been universally lightened.

Publishers Photo.

Hotel de Ville, Brussels—Scene of the Gold Bloc Meeting

As a result of these conservative efforts the pound has regained a significant share of its former prestige as a medium of international exchange but the dollar is now and probably will be for some time to come, the world's dominant currency. And so English bankers look to the President for a sign. The paramount object is to provide a use for idle funds and thereby increase the low yields on investments. Consequently English capital as previously stated, is looking abroad for new outlets. It is seeking employment not only in the exploitation of natural resources, but also in industrial and constructional enterprises. For example, by advancing credits to Argentine and Brazilian companies, British business secures orders for locomotives, ships and industrial equipment. The flow of money on goods is commenced, capital comes out of cold storage and confidence tends to strengthen prices. This method of strengthening prices is considered by many astute British economists more sound than inflation and that England's remarkable recovery during the past years may be attributed more to the former low price level of primary imported commodities than to pound manipulation.

The prediction is frequently made with a likely possibility of realization, that the pound already depreciated 35 per cent may go to 50 and that the dollar will follow suit. But in spite of the strenuous efforts to keep down the dollar and the equally strenuous efforts to keep up arbitrarily other currencies, it is almost a certainty that natural forces will prevail. In other words, a smash in the dollar is remote and a smash in the gold currencies, is equally probable. Therefore it seems to be the concensus of opinion in the English banking fraternity that when and if Mr. Roosevelt comes out for sound money, an outstanding recovery will take place in the United States with its beneficial effects on the rest of the world. To borrow a simile from one of the classic English economists, there are two ways to heat a room: either by holding a match under the thermometer or by lighting a fire. From the British view point the problem is to rekindle the confidence of capital before the administration burns its fingers holding an inflationary match to a price thermometer.

* * *

Britain Collects from Germany

The just-completed trade agreement between Britain and Germany by which the former is to receive full interest on her holdings of the Young and Dawes loans while American citizens are likely to obtain nothing at all, aptly illustrates the difference between making a pother with nothing to back it up and making the same pother with plenty to back it up. We have very properly sent a number of sharp notes to Germany in regard to her unwillingness to pay dollar obligations. But so long as Germany buys from the United States more than she sells here, there is absolutely nothing—aside from armed force which is out of the question—that we can do except talk:

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The Magazine of Wall

THE MAGAZINE OF WALL STREET'S Bond Appraisals of active and important bonds is presented in two parts. The sections alternate with appropriate alterations and additions, so that holders and prospective buyers of bonds may be constantly informed as to the effect of developments in the largest number of issues.

Naturally, it is understood that all the issues mentioned do not constitute recommendations, although the relative merit of each is clearly indicated either by the tabular matter or by the comment. For those who desire to employ their funds in fixed income-bearing securities we have "double starred" the issues which appear to us most desirable, safety of principal being the predominant consideration, while a single star designates those which, while somewhat lower in quality, nevertheless provide an attractive income, or offer possibilities of price enhancement.

Inquiries concerning bonds should be directed to our Personal Service Department.

Railroads

Company	Total funded debt (mil'ns)	Amount of this issue (mil'ns)	Fixed Charges times earned† 1932	Fixed Charges times earned† 1933	Price Call‡	Price Recent	Yield to Maturity	COMMENT
Chicago, Burlington & Quincy R. R.								
★★Gen. 4s, 1958	220	84	1.2	1.6	N C	104	3.7	Of the highest grade.
1st & Ref. "A" 5s, 1971	220	70	1.2	1.6	107½ '42*	107	4.6	While subject to some $160,000,000 in prior liens, is still strong.
Illinois Division 3½s, 1949	220	84	1.2	1.6	105*	100	3.5	Of the highest grade.
Colorado & Southern Ry.								
Ref. & Ext. (now 1st) 4½s, 5.1.35	49	36	.7	.8	101	94	4.8§	Reasonably strong, tho refunding may prove problem.
Gen. "A" 4½s, 1980	49	20	.7	.8	110*	71	6.5	Junior to issue above.
Fort Worth & Denver City 1st 5½s, 1961	49	8	.7	.8	105*	103	5.2	Good grade bond.
Missouri-Kansas-Texas R. R.								
Prior Lien "A" 5s, 1962	107	62	1.0	.8	105	80	6.6	Reasonably good bond.
Adjustment "A" 5s, 1967	107	14	1.0	.8	100	40	12.5§	Junior to issue above. Interest cumulative, but contingent.
M., K. & T. 1st 4s, 1990	107	39	1.0	.8	N C	91	4.4	Underlies issues above.
New York Central R. R.								
Consolidation 4s, 1998	671	68	.7	.9	N C	84	4.8	A strong investment issue.
Coll. Tr. Conv. 6s, 1944	671	60	.7	.9	105*	111	4.6	Convertible 25 shares com. per $1000. Well secured.
Ref. & Imp. "A" 4½s, 2013	671	355	.7	.9	110	60	7.5	Fair grade only.
Conv. Deb. 6s, 5.1.35	671	12	.7	.9	110	96	14.0	None too strong.
★★N. Y. C. & H. R. Mtge. 3½s, 1997	671	94	.7	.9	N C	93	3.8	High grade underlying bond.
N. Y. C. & H. R. 30-yr. 4s, 1942	671	9	.7	.9	N C	95	4.8	Rank with Cons. 4s, 1998.
N. Y. C. & H. R. Lake Shore Coll. 3½s, '98	671	23	.7	.9	N C	83	4.3	Prior in lien to Cons. 4s, 1998. Strong bonds.
N. Y. C. & H. R. Mich. Cent. Coll. 3½s, '98	671	19	.7	.9	N C	83	4.3	
Lake Shore & M. S. 1st 3½s, 1997	671	50	.7	.9	N C	95	3.7	High grade investment.
Chic., Ind. & Sou. Mtge. 4s, 1956	671	15	.7	.9	N C	88	4.9	Good bond.
Cleveland Short Line 1st 4½s, 1961	671	12	.7	.9	N C	103	4.3	Strong issue.
★Jamestown, Frank. & Clear. 1st 4s, 1959	671	11	.7	.9	N C	83	5.2	Good caliber.
C., C., C. & St. Louis Ry.								
Gen. 4s, 1993	671	33	.7	.9	N C	93	4.3	Better grade.
Ref. & Imp. "E" 4½s, 1977	671	65	.7	.9	105 '47*	70	6.6	Junior to issue above.
Michigan Central R. R.								
1st 3½s, 1952	671	18	.7	.9	N C	98	3.7	High grade.
Ref. & Imp. "C" 4½s, 1979	671	18	.7	.9	105*	...	...	Junior to issue above.
Canada Southern Cons. "A" 5s, 1962	671	29	.7	.9	N C	107	4.6	Better grade issues.
Detroit R. T. (D. T & T.) 1st 4½s, '61	671	18	.7	.9	N C	106	4.1	
N. Y. & Harlem Ref. (now 1st) 3½s, 2000	671	12	.7	.9	N C	94	3.7	Of the highest caliber.
West Shore 1st 4s, 2361	671	49	.7	.9	N C	81	4.9	Strong, well-situated bond.
Southern Ry. Co.								
★1st Cons. 5s, 1994	297	92	.4	1.0	N C	100	5.0	Good grade bond.
Dev. & Gen. 4s, 1956	297	154	.4	1.0	N C	59	8.0	Junior to issue above.
St. Louis Div. 1st 4s, 1951	297	12	.4	1.0	N C	81	5.8	Mileage is valuable. Good grade.
East Tenn., Va. & Ga. 1st 5s, 1956	297	13	.4	1.0	N C	103	4.7	Mileage also valuable. Better grade.
New Orleans Term. 1st 4s, 1953	297	14	.4	1.0	N C	82	5.5	Reasonably strong.
Atlanta & Char. Air Line 1st 5s, 1944	297	20	.4	1.0	N C	105	4.4	Sound issue.

Public Utilities

Company	Total funded debt (mil'ns)	Amount of this issue (mil'ns)	Fixed Charges times earned† 1932	Fixed Charges times earned† 1933	Price Call‡	Price Recent	Yield to Maturity	COMMENT
Alabama Power Co.								
1st Mtge. 5s, 1956	97	71	1.8	1.7	105	82	6.5	Good grade, but Government interference and competition unknown factors.
1st Lien & Ref. 5s, 1951	97	81	1.8	1.7	104¼*	82	6.8	Rank but slightly below 1st 5s.
1st & Ref. 4½s, 1967	97	63	1.8	1.7	101½*	67	7.1	Rank slightly below 1st Lien & Ref. 5s.
Brooklyn Union Gas Co.								
1st Cons. 5s, 1945	49	15	3.0	2.8	N C	115	3.3	Of the highest grade.
1st & Ref. "B" 5s, 1957	49	16	3.0	2.8	107*	110	4.3	Junior to issue above, but still high grade.
Deb. 5s, 1950	49	18	3.0	2.8	103½*	104	4.6	Strong bond, tho not secured by mtge.
Columbus Ry., Power & Light Co.								
★1st & Ref. "A" 4½s, 1957	24	19	2.9	2.5	105*	98	4.6	Better grade investment.
Convertible 5½s, 1942	24	5	2.9	2.5	105*	105	4.7	Security equivalent to issue above.

Street's Bond Appraisals

Public Utilities (*Continued*)

Company	Total funded debt (mil'ns)	Amount of this issue (mil'ns)	Fixed Charges times earned† 1932	Fixed Charges times earned† 1933	Price Call‡	Price Recent	Yield to Maturity	COMMENT
Cons. Gas of New York								
★Debenture 4½s, 1951	398	140	3.7	3.2	106*	100	4.5	Better grade, despite the possibility of lower rates.
Westchester Lighting 1st 5s, 1950	398	9	3.7	3.2	N C	114	3.8	Of the highest grade.
N. Y. & Westchester Ltg. Gen. 4s, 2004	398	10	3.7	3.2	100	100	4.0	Junior to issue above, but still strong.
Detroit Edison Gen. & Ref. (now 1st) "D" 4½s, 1961	134	134	2.1	1.9	105 '41*	105	4.2	Entitled to a high grade rating.
Indianapolis Pwr. & Lt. 1st "A" 5s, 1957	38	38	2.0	1.9	104*	96	5.3	Good grade.
★★Kansas City Power & Light 1st 4½s, 1961	41	41	3.1	2.6	110	109	4.0	High grade.
New York Edison								
1st Lien & Ref. "B" 5s, 1944	123	85	5.0	4.4	105*	109	3.9	High grade investment bond.
N. Y. Gas & El. Lt., Heat & Pwr. 1st 5s, 1948	123	15	5.0	4.4	N C	116	3.5	Assumed by New York Edison.
do P. M. 4s, 1949	123	21	5.0	4.4	N C	107	3.4	Gilt edged.
★N. Y. Power & Light 1st 4½s, 1967	67	66	2.1	1.8	105*	93	4.9	Good caliber.
North American Deb. 5s, 1961	317	25	1.7	1.5	104½*	86	6.1	Among the better holding company issues.
Oklahoma Gas & Electric Co.								
1st 5s, 1950	43	34	1.8	1.7	104*	97	5.3	Good bond.
Deb. 6s, 1940	43	7	1.8	1.7	102½*	90	8.1	Junior to issue above and prior liens thereto.
Pug. Sd. Pr. & Lt. 1st & Ref. "A" 5½s, '49	75	63	1.8	1.2	103½*	53	12.5	None too strongly situated.
Southern California Gas Co.								
1st & Ref. (now 1st) "B" 5½s, 1952	27	12	2.7	2.6	102½	103	5.2	Better grade.
1st mtge. & Ref. 4½s, 1961	27	21	2.7	2.6	105*	95	4.8	Ranks slightly below issue above.
Southwestern Bell Tel. 1st & Ref. 5s, 1954	50	49	5.0	4.7	105*	111	4.2	High grade.
Texas Electric Service 1st 5s, 1960	34	34	2.0	1.7	105*	80	6.6	Coverage for charges lower. Medium grade.
Utah Power & Light Co.								
1st 5s, 1944	54	37	1.6	1.2	105	66	10.6	Only fair grade.
1st & Gen. 4½s, 1944	54	5	1.6	1.2	102*	60	11.5	Equal amount of 1st 5s, pledged hereunder.
Deb. "A" 6s, 2022	54	5	1.6	1.2	110*	50	12.0	Jr. to two issues above. Almost speculative.
Utah Lt. & Trac. 1st & Ref. "A" 5s, 1944	12	12	1.0	1.0	105	65	10.8	Guaranteed by Utah Power & Light.

Industrials

Company	Total funded debt (mil'ns)	Amount of this issue (mil'ns)	1932	1933	Call‡	Recent	Yield to Maturity	COMMENT
American International Conv. Deb. 5½s, 1949	14	14	1.0	1.1	105	83	7.4	Reasonably well protected.
Am. I. G. Chem. Gtd. conv. Deb. 5½s, 1949	30	30	1.8	1.9	110*	100	5.5	Real caliber difficult to ascertain. Probably good bond.
Am. Smelting & Refining 1st "A" 5s, 1947	38	36	def	4.0	100	105	4.5	Now better grade.
Armour & Co. (Ill.) R. E. 4½s, 6.1.39	90	38	.2p	1.5p	102½	101	4.3	pYears to 10.31. Of good caliber.
Armour & Co. of Delaware 1st 5½s, 1943	42	42	.2p	1.5p	105	100	5.5	pYears to 10.31. Illinois company guarantees. Fair grade.
California Packing conv. Deb. 5s, 1940	13	13	def a-	6.9a	103*	103	4.4	aYears to 2.28. Great come-back has improved bond's quality.
Com'l Investment Tr. Conv. Deb. 5½s, '49	18	18	5.6	8.8	110*	110	4.6	Business good. Well-protected issue.
Crane Co. Notes 5s, 1940	11	11	def	def	101¼*	100	5.0	Standing improved recently. Good grade.
Dodge Bros. Deb. 6s, 1940	30	30	def q	4.5q	105*	107	4.6	qChrysler's earnings. $10,000,000 were called Nov. 1.
★Goodyear Tire & Rub. 1st & Coll. 5s, 1957	58	54	.8	2.1	103*	102	4.8	Good grade investment.
Lehigh Coal & Navig. Cons. "A" 4½s, 1954	32	20	1.6	1.6	105	100	4.5	Good grade.
National Steel 1st Coll. 5s, 1956	39	37	1.8	2.3	105*	105	4.6	Entitled to a high rating.
New York Dock Co.								
1st 4s, 1951	20	13	1.1	1.0	105	56	9.2	Property is very valuable, but currently revenues are small.
Notes 5s, 1935/38	20	7	1.1	1.0	101	...	...	Unsecured by mortgage.
Phillips Petroleum Deb. 5¼s, 6.1.39	27	27	1.3	1.7	101*	100	5.3	Company's financial position much improved.
★Remington-Rand Deb. "A" 5½s, 1947	18	18	def c	2.2c	104*	96	5.9	cYears to 3.31.33/34. Company strong financially and doing better.

Short-Term Issues

Company	Due date	Amount of this issue (mil'ns)	1932	1933	Call‡	Recent	Yield to Maturity	COMMENT
★★Atlantic Refining Deb. 5s	7.1.37	14	5.9	10.1	N C	107	2.2	Better grade investment.
Buffalo Gen. El. 1st Ref. 5s	4.1.39	7	2.6	2.1	105	...	...	High grade bond.
Chicago Gas Light & Coke 1st 5s	7.1.37	10	1.9	....	N C	104	3.6	Better grade investment.
Gulf Oil Deb. 5s	12.1.37	28	1.4	def	103½	105	3.2	Better grade issue.
Midvale Steel & Ordnance Conv. 5s	3.1.36	31	def h	def h	105	102	3.6	hEarnings Bethlehem Steel. Better grade.
★★New York Telephone 1st & Gen. 4½s	11.1.39	61	3.4	4.6	110	108	2.8	Gilt-edged.
Pacific Tel. & Tel. 1st & Coll. 5s	1.2.37	26	4.1	3.8	110	107	2.1	Of the highest grade.

† Fixed charges times earned is computed on an "over all" basis. In the case of a railroad, the item includes interest on funded debt and other debt, rents for leased roads, miscellaneous rents, etc.; in the case of a public utility it includes interest on funded and unfunded debt, subsidiary preferred dividends minority interest, etc. ‡ An entry such as 105 '36 means that the bond is not callable until 1936 at the price named. * Indicates that the issue is callable as a whole or in part at gradually decreasing prices. ★★ Our preferences where safety of principal is predominant consideration. ★ Our preferences where some slight risk may be taken in order to obtain a higher return. § Current yield.

The Trend of Commodity Prices

Prices of World Staples Point Higher— Wheat in Particular — Tin Exports Lag

By C. S. Burton

THERE is an increasing interest in the markets for commodities, undoubtedly due, in large part, to a more full recognition of the fundamental position which commodities occupy in the world's business. It is quite evident that, in the rapid development of our industrial activities, we partially forgot that they had to operate on raw materials. Now, we are coming back "closer to the rails", to use a phrase common to the transportation field.

It was upon the producers of all kinds of raw materials that the depression laid its first and heaviest hand; and, it is in the upward trend of commodity prices that one finds ground for the assertion that the natural forces of recovery are gaining strength.

Conditions Favor Higher Wheat

It is almost axiomatic that, unless the producers of—wheat, let us say—can be paid a price that will maintain contended farmsteads, the bread eaters, being practically all the rest of the world, are going to find increasing difficulties constantly arising; disequilibrium, in other words. All of which is by way of a sort of outline of what we have been passing through recently.

We saw wheat sell for much less than any possible cost of production. Now, due more to natural causes than to artificially controlled production, the price level is rising, in which statement our Department of Agriculture agrees, so far as price trend goes.

In passing it should be said that when and as the world is again able to stock up, to put into its warehouses, to put upon its retail shelves and counters, to put into its cellars, pantries, closets and bureau drawers its normal supply of the goods which it consumes, the commodity markets generally will be swept to much higher levels and, at least temporarily, face a sold out condition. How rapidly prices may rise depends only upon the ability of consumers to transmute desire into effective buying power. There are empty shelves to be filled the whole wide world over. The world markets already show to some extent that coming events cast their shadows before.

For one thing, raw materials go into the world markets. We may manufacture a long line of finished products for our huge domestic consumption and sell a small surplus abroad, but there are a number of most important items—raw materials—that enter directly into world trade and exert great influence upon all the superstructure of business, where millers grind and spindles turn and factories generally hum with activities.

Of the cash items of world trade, wheat is perhaps to always hold first place in market consideration simply because bread is the staff of life. Its production in our own country has risen from 170 million bushels in 1866, just after our Civil War, when prices were high, to a peak of a little more than 1,008 million bushels in 1915, when nearly all the world was at war and our farmers were trying to feed the other farmers and artisans and all the multitudes engaged in war-time activities from the front line trenches to the Pacific Coast shipyards.

Watch the Southern Hemisphere

The present nearby outlook for wheat prices is largely dependent upon the results in the Southern hemisphere; the Argentine and Australia, based, in turn, upon our own position after facing two years of near crop failure. A

Wholesale Prices of Commodities in London or Liverpool—Converted Into Our Own Units of Trade and Prices in U. S. Currency

	End of September 1930	End of September 1931	End of September 1932	End of September 1933	End of December 1933	End of March 1934	End of June 1934	End of July 1934	End of August 1934	End of September 1934
Wheat Manitoba No. 2....per bushel ¢	90½	63¼	59 1/16	78	78⅝	81¾	87	97 9/16	101	101
Sugar (British West Indies)....per lb. ¢	04⅝	03⅞	02 31/32	04¼	04 13/16	04 9/16	04⅝	04 11/16	04⅝	04 9/16
Tea Indian Auction..........per lb. ¢	34.62	25.31	14.49	32.43	29.64	29.36	27.21	26.69	28.40	25.32
Coffee (Costa Rica)..........per lb. ¢	34.62	20.13	17.68	18.20	18.50	22.10	21.16	21.12	19.96	19.84
Cotton....................per lb. ¢	11.49	07.19	8.77	11.01	11.68	13.'91	14.24	14.51	14.80	14.49
Rubber (Plantation Sheet)....per lb. ¢	07.46	04.46	03.80	07.72	09.10	11.07	14.18	14.80	15.65	15.17
Welsh Coal (2240 lbs.).........per ton	$4.86	$3.89	$3.36	$4.66	$4.17	$4.17	$4.10	$4.08	$4.05	$4.03
Petroleum..................per gal. ¢	23.17	15.39	13.65	17.86	19.27	19.28	18.90	19.90	19.75	19.64
Copper....................per lb. ¢	09.44	05.82	05.34	07.39	07.38	07.47	07.08	6.50	6.26	6.09
Lead pig....................per lb. ¢	03.96	02.69	02.32	02.87	02.87	02.87	02.81	02.69	02.73	02.66
Spelter....................per lb. ¢	03.21	02.26	02.32	03.57	03.23	03.45	02.95	02.93	02.92	02.68
Tin per ton..................per lb. ¢	27.18	21.32	23.66	46.05	52.08	54.85	50.73	50.73	50.55	51.58
Exchange rate for the Pound	$4.86	$3.89	$3.45	$4.76	$5.14	$5.14	$5.04	$5.03	$4.99	$4.96

(Please turn to page opposite)

wheat crop of 493 million bushels in 1934 is the smallest harvest we had since half a century ago; while that for the year before was but 527 million bushels. These two years together do not equal the war-time peak nor greatly exceed the crop of 1931. In that season, nature smiled and under ideal crop conditions we harvested 931 million bushels of first quality wheat, and then went into a blue funk because the world stomach could not be immediately expanded proportionately. The carry-over which so frightened us then and made possible the restrictive action of the A A A is now to be something of a life saver, in that those who brought about restricted acreage are now able to blandly assure the people that no domestic shortage of food is to be anticipated.

Domestic Carry-over Shrinks

It is not, however, in this country alone that surplus stocks of previous years' accumulations of wheat are to go into current consumption. The drought which parched our farms was impartial, it visited the wheat fields of the Northern hemisphere generally and, like the rain, it, in turn, sought out the just and the unjust alike.

The 1934 world wheat crop was practically a failure, save for the comparatively unimportant regions of Northern Africa, Spain, Greece, the northernmost fringe of Europe and in Japan and China. Russia's exports, if any, will be insomuch a deprivation of its domestic consumers. Thus, it appears that on the whole the world is about to find itself relying upon current production for its daily bread, which is much more as it should be.

Our domestic situation is to be figured something as follows: A total supply, new crop and carry-over of 783 million bushels, of which mill takings should absorb 480 million bushels, we may export 10 million bushels, we shall require some 80 million bushels for seed, thus leaving a theoretical carry-over of some 213 million bushels, from which again some estimated quantity must be deducted for waste and grain fed upon the farms. Owing to a very short corn crop, the amount of wheat which will be fed upon the farms through this winter will undoubtedly be larger than the usual estimated average. The best figures available run to about 80 million bushels thus leaving about 133 million bushels for actual carry-over.

Under ordinary conditions this carry-over would be considered just about normal. As farm conditions appear it would be better if it were heavier. There are very large areas of the drought-stricken regions where the drought remains practically unbroken—northwestern Minnesota, North Dakota, the western two-thirds of South Dakota, the western part of the three states of Nebraska, Kansas and Oklahoma, north, central and west Texas and the greater part of the country to the west of the regions named.

Snow and Rainfall Critical

Under such conditions, the long-range view of the market for wheat is to be governed by the weather during the seeding just completed for winter wheat and the rains and the snowfall during the winter. If there grows to be any serious doubt about a fairly bountiful harvest for the wheat year ending August 1, next, one may expect wheat prices to ascend abruptly. It must be taken into account as a very serious factor that soil conditions in our wheat fields on the average are not good. The weather man is the supreme autocrat for the coming season, the A A A notwithstanding.

There are dynamic possibilities in wheat; already weather sharps are checking every bit of moisture in the states where the soil is much too dry for good winter root growth and more than average precipitation is necessary to make any kind of a crop. Somewhat in this regard there is an interesting study of the manner in which certain regions have figured for a time as huge producers, later to shrink to unimportant volume; these figures will be worthy of study in connection with the future of some of the territory which helped to pile up the bugaboo of a surplus in 1931.

Tin Stabilization Successful

Of world-wide interest, as it is, one must not gather the impression that wheat is the all-important counter in world markets. There are commodities in almost as daily universal use as bread and upon which we implicitly depend, all of which we import from far countries. It may be said also that the producers of such items of world trade rely just as completely upon our capacity to consume as they lay their

(*Please turn to page* 104)

Stocks of Staple Commodities

	1st Oct., 1930	1st Oct., 1931	1st Oct., 1932	1st Oct., 1933	1st Jan., 1934 (In thousands)	1st April, 1934	1st July, 1934	1st Aug., 1934	1st Sept., 1934
Wheat (a) bushels	*	486,000	455,000	457,000	476,000	483,000	455,000‡	......	......
Sugar (b) tons	3,629	6,811	7,018	6,441	8,333	8,046	7,501	6,910	......
Tea (c) lbs	222,000	195,000	219,000	235,000	270,000	251,000	212,000	209,000	219,000
Coffee (d) bags	32,800	34,000	*	23,300	*	*	25,600	23,900	......
Cotton, American (e) bales	5,967●	9,165	11,738	10,107	9,785	9,236	9,362	9,475	9,404†
§Rubber, World Stocks, tons	483●	570	622	626	664	673	630	684	......
Coal (f) metric tons	16,325	19,915	20,015	20,948	18,874	......	......	......	......
Petroleum (g) barrels	613,000●	557,000●	526,000	525,000	507,000	506,000	507,000★	......	......
Copper (h) metric tons	558.1	640.3	716.4	578.8	581.5	536.1	......	......	......
Lead, U. S. A., tons	65.8	118.6	153.4	148.2	181.3	197.7	212.7	214.8	......
Spelter (j) tons	131	138	127	94	100	105	99	98	102
Tin (k) tons	49.1	61.9	58.6	34.5	26.6	21.8	18.4	18.4	17.8

* Not available. § Between June and July, 193?, the figure was reduced by 18,000 tons, owing to a revision of the estimate of Malay Stocks. † Provisional. ● Not strictly comparable with later figures. ‡1st May, 1934. ★ 1st June, 1934. (a) Stanford Wheat Studies Estimate of World's visible supply. (b) Total visible supply. (c) Tea Brokers' Association. London Stocks. (d) Visible supply in Brazil, (Ports and Interior, including Sao Paulo Government Stock), Europe and U. S. A. (e) Total supply seasonally corrected, exclusive of European and Asiatic mill stocks. (f) Stocks in Germany and the Saar (including coke in terms of coal), Belgium and Poland (Upper Silesia only) believed to represent about 66 per cent. of total European Stocks at the end of 1931. (g) Stocks of crude and refined oils in U. S. A. (h) Stocks in North and South America, in official warehouses in Great Britain and Le Havre and in Japan (bonded stock excluded). (j) Visible supply in United Kingdom and U. S. A. (k) Visible supply, plus estimate of Straits Stocks.

A metric ton is 2204.6 pounds. Other ton measures are long tons of 2240 pounds.

The figures reproduced above have been extracted from the Monthly Bulletin of the London and Cambridge Economic Service, with the exception of those referring to coal and copper which have been taken from the Bulletin of Statistics published by the League of Nations.

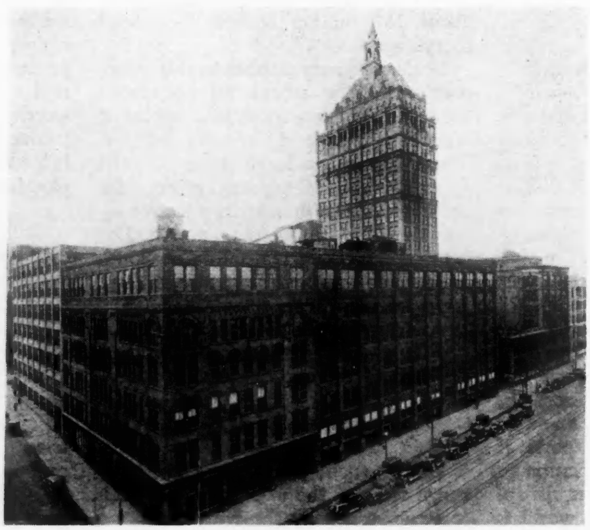
EASTMAN KODAK

Taking the World's Pictures

Giant Film and Camera Enterprise Has Ridden the Waves of Depression Well—Prospects Favor Domestic Division and Foreign Potentialities Loom Large

By George W. Mathis

MAINLY, the Eastman Kodak Co. is a manufacturer of film; it is only incidentally a manufacturer of cameras, lenses, sensitive paper, wrapping papers, chemicals, acetate yarn, gelatin, lacquers, lumber and a thousand other things. These sidelines are part of the process enabling the company to make better films, or are part of the means employed to increase the sum total demand for film. It is film that is the heart and soul of the business and care should be taken not to be over-impressed by talk of the diversified nature of Eastman's operations.



Eastman Headquarters at Rochester

Because it is so important, attention is directed to the composition of this film, how it is made, and to whom it goes. In doing this, one cannot fail to notice the logical manner in which the various divisions of a seemingly complicated business make a rounded whole. The process starts simply—with cotton. This is treated with nitric acid and the result then dissolved in wood alcohol and acetone. Then, when this is flowed thinly on rollers, the alcohol and acetone evaporate and there unwinds a transparent strip, similar in appearance to the cellophane known to everyone.

In the meantime, another division of the business has dissolved almost pure silver in nitric acid to form silver nitrate. This silver nitrate, potassium bromide and gelatin are all stirred up together and among the results there is silver-bromide-suspended-in-gelatin. The two divisions now come together and an extremely thin coating of the silver-bromide gelatin mixture is spread on the cellophane-like strip. This is the finished film (the same mixture spread on glass is a plate) and it derives its photographic qualities from the fact that under the influence of light, the silver bromide is so chemically changed that in subsequent contact with the developer it turns black. Consequently, many Eastman employees spend their working hours in air-conditioned darkness.

Extent of Diversification

In addition to nitro cellulose film, Eastman also makes another variety, and incidentally a host of products related thereto. Down in Kingsport, Tennessee, there is a plant operated by the Tennessee Eastman Corp., a wholly-owned subsidiary. Around the plant the company owns more than 40,000 acres of timber land which assures a satisfactory supply of an essential raw material.

Originally, the Kingsport plant supplied Eastman with wood distillation products, but in 1930, after a considerable addition to facilities, it embarked upon the manufacture of cellulose acetate. While Eastman wanted this product for only one purpose — as a base for non-inflammable film—it is taking the opportunity to manufacture from it, among other things, cellulose acetate yarn for the rayon industry.

This Tennessee Eastman is the fastest growing of the Eastman family. The number of its employees increased 70% in 1932 and a further 75% in 1933. Its operations are closely related to the large, expensive, and constantly operating, research department at the main plant in Rochester. The research department can be credited with having developed several thousand different products and, while they are not particularly important as yet from the financial standpoint, they do include such comparatively well-known products as Kodaloid, a transparent nitrocellulose packaging material, Kodalak, artificial leather and lacquer, and Kodapak, a material similar in appearance and application to cellophane. In addition, the research department has been responsible for many new and improved processes and methods in the manufacture of photographic materials and in the realm of photography itself.

Other activities in the United States, tending to bolster the case for diversification, include Taprell, Loomis & Co., Chicago, manufacturers of mounts and albums, and Eastman's gelatin manufacturing subsidiary which operates in Peabody, Massachusetts. The latter

makes incidentally, both photographic and edible gelatin.

But as has been said all these sidelines are comparatively unimportant financially and on this note we will turn again to the film that *is* important.

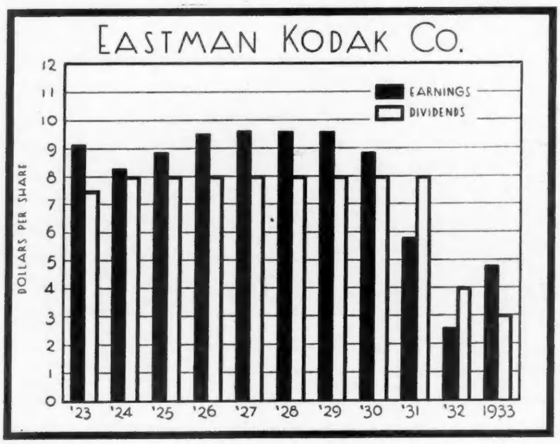
The manufacturing process had just been finished. Packed in Eastman-fabricated cartons and boxes, what is its ultimate destination? There are a number of important sources of demand: (1) a. Amateur still film. b. Amateur movies. (2) a. Professional movie negatives. b. Professional movie positives. (3) Professional still film (4) X-ray film.

The Users of Film

Exactly how much film these various agencies demand from the Eastman Kodak Co. in the course of a year, and how much the company makes from each of them, is a deeply buried secret. Eastman has long pursued a policy of giving stockholders only the information that it thought was good for them. For years this consisted merely of a net income figure —a figure representing the sum total of the parent company's profits from all its varied operations, plus the profits of its far-flung foreign subsidiaries, plus the substantial sums accruing to the company from interest on its large holdings of cash and government securities. Moreover, it was only given once a year. Starting with 1927, however, the company became considerably more communicative and, starting with the middle of 1933, interim reports actually have been made.

Nevertheless, not yet has the company seen fit to give any intimation of the relative prosperity of its various divisions. Of course, estimates have been made but there are so many gaps in the reasoning that they might better perhaps have been called guesses. According to the trade, Eastman is said to do about 75% of the total business in raw film. Probably of all the outlets, the amateur demand is the most profitable, taking together amateur stills and amateur movies. Not only is the volume here, although undoubtedly it felt the impact of depression, but prices have been kept relatively stable, although in the "still" division there was an indirect reduction entailed by giving eight pictures on a roll instead of six.

The professional movie division certainly yields considerable profit, but the amount may well be but a third of that wrung from the amateur. In the movie *negative* section, Eastman runs up against formidable competition from the duPont Film Manufacturing Corp., while in the *positive* section there have been so many price cuts that currently the margin of profit is by no means handsome. The negative, of course, is the film actually exposed in making the picture, whereas the positive is that which is run through the machine in the theater. Scores of positives are made from one negative. Million-dollar directors and stars were not the only sufferers a few years ago when Hollywood discovered that it was not running a private mint: Eastman suffered by the abandonment of the practice of exposing two or three hundred thousand feet of film in order to obtain eight or nine thousand in the finished form. Today the motion picture people content themselves with the exposure of a mere ten or twelve times as much as actually is required. Even so, Eastman's profit from wastage at four cents a foot is not anything to sneeze at: it is probably a lot more than that derived from many times as much positive at a fraction of the price.



Motion Picture Field Large

The professional still film division undoubtedly is one of Eastman's most profitable lines. The formal portrait business may not be too good, although it is not dead by any means, and there is the tremendous expansion that has taken place in other fields of commercial photography. Newspapers everywhere are using pictures more generally. Photographs are favored for advertising. The motion picture industry contributes to this division too, and contributes heavily, by way of the "stills" that are needed for publicity.

X-ray, of course, has gone ahead by leaps and bounds since the end of the World War. Today, no self-respecting dentist considers an exterior examination of a tooth sufficient; an X-ray of the entire jaw is necessary in order to wield the probe with the most telling effect. Also, X-ray is becoming more generally employed outside of the field of medicine: it is used for testing welds and for examining the interior of packages and bales without the trouble of taking them apart. From this field, too, Eastman derives considerable profit, although Agfa Ansco, whose predecessors were established almost a hundred years ago, is reported to be the source of major competition.

More Cameras Mean More Film

No detailed mention has been made as yet of the mechanical equipment manufactured by Eastman. This covers an exceedingly wide field of cameras, accessories, and even sensitive paper might be said to fall into this division. It is not thought, however, that there is any *great* profit in this section of the business —at least not if one leaves out the paper. Undoubtedly, the cameras made by Eastman are distributed with the same thought in mind as makes public utility companies distribute refrigerators and washing machines. The public utilities reason that the more household appliances there are in the hands of the public, the greater the demand for electricity; Gillette calculated the same way with razors and razor-blades; and Eastman thinks the same way about cameras and film.

When Eastman first brought out its inexpensive box cameras, it required no genius to work them and they delivered the goods, at least in bright light. Ever since, it has been the policy of the company to get apparatus into the hands of the public that would work well under varying conditions while not costing too much and which, above all, would widen the demand for film. Hence the Ciné-Kodaks and all the accessory apparatus associated with them. And these Ciné-Kodaks certainly consume film.

Likewise it was with a view to increasing the demand for film that Eastman produced the Recordak, a machine enabling banks to make permanent records of checks and there are reports of quite sensational gains in the installation of these machines over the past few years. Then there is the business Kodascope by means of which salesmen demonstrate the superiority of their wares. Nor must one lose sight of the possibilities that exist for teaching school-children by means of motion

pictures, a field that Eastman entered some five years ago.

This then is the business of the Eastman Kodak Co.—a business whose keynote is the constant striving for a greater film volume. The efforts for film volume, however, are something very much more than domestic efforts; they are carried out throughout the world. There are few products of world-wide reputation and in this respect "Kodak" compares favorably with Singer Sewing Machines, Huntley & Palmer biscuits, Sunlight soap, Coats' thread, Mobiloil and Ford automobiles.

Cutting Motion Picture Film the Proper Width

Abroad, the British subsidiary, Kodak, Ltd., is the oldest, largest, and most important. The parent company states that the "Harrow Works at Wealdstone, England, is the largest plant outside the United States. A practically complete line of photographic materials and equipment is manufactured there. The products are sold principally in the United Kingdom and its colonies, Norway, Sweden, Finland and the Near East." It is perhaps interesting to note that it was England in 1879 that granted George Eastman his first patent.

The French subsidiary also is an important company, larger than any in the field in that country. It supplies France and part of the European market with film of all kinds and with photographic papers and chemicals. The Köpenick Works in Germany manufactures chemicals and every variety of film for the market in Central Europe. Another factory in Germany makes cameras, while there is a plant for the manufacture of photographic papers in Hungary. Eastman's German subsidiary, however, is not as large as several purely domestic concerns.

If this were not enough to give the Eastman Kodak Co. an international flavor, there are other subsidiaries or affiliates in Canada and Australia. The Melbourne plant produces amateur, professional and X-ray film, plates, paper and chemicals for the Australian and New Zealand markets.

The Eastman Kodak Co.'s distributing system can be given aptly in the company's own words: "World-wide distribution of Kodak products is effected through five major sales divisions: United States, Canada, Europe, Australia and the American Export Territory. Within these major divisions there are two hundred fifty-five establishments (i.e., factories, wholesale and retail branches or subsidiary companies of the Eastman Kodak Co.) located in all the principal countries of the world. Sales in the United States are directed from Rochester. There are three branches . . . forty-four Eastman Kodak Stores . . . 17,500 dealers in this country.

"The American Export Territory, which includes Mexico, Central and South America, Hawaii, Philippine Islands, Japan and China, is also administered from Rochester. Canadian sales are controlled through the Canadian Kodak Co., Ltd., with the distribution centered in Toronto. There are six Eastman Kodak Stores in Canada.

"The European sales division is divided into three territories. One is directed from London and comprises the United Kingdom, its colonies, Scandinavian countries, Denmark and Finland. . . . Under this administration comes a group of countries controlled through Kodak Egypt S. A., which includes, principally, Egypt, Greece, Turkey and the countries of Asia Minor.

"Another, the German territory, with headquarters in Berlin, includes Germany, Russia and the countries east of the Baltic Sea.

"The third European territory, administered from Paris, includes the rest of the European countries and their colonies.

"The control of distribution in Australia and New Zealand is centered at Melbourne, Australia.

"In addition to these distributing and sales facilities, there are fifty-two Ciné-Kodak Film developing stations, located at strategic points throughout the world, which provide finishing service for the many users of Ciné-Kodak Film."

Thus is the world market for photography indeed blanketed.

There is nothing complicated about the ownership of all this vast business. It is quite simply in the hands of the holders of the 61,657 shares of preferred stock (entitled to one vote per share) and of the 2,255,921 shares of common stock (entitled to one vote for every ten shares—if you don't hold ten shares, you don't vote). There is a concentration of stock ownership in Rochester, which is not surprising when one considers the amount of money Kodak Park and the other Kodak works have brought to that city. And it has been *real* money, make no mistake of it. George Eastman got approximately $100,000,000 out of the business and if he only left a fifth of this when he died in March, 1932, it was because he had given all the rest away.

While the earnings of the Eastman Kodak Co. during the years of depression registered a very substantial decline from those previously enjoyed, they never once even approached "red" figures. A $6,000,000-net in 1932 was rock bottom for the recent general slump and it is necessary to go as far back as 1906 to find a year as bad as this one. For 1933, the profit was $11,119,044 which, after dividends on the preferred, was equivalent to $4.76 a common share.

For the twenty-four weeks ended June 16 of this year, Eastman reported a net profit of $6,745,676, including a profit of $532,000 from the sale of securities. This was equivalent to $2.91 a common share and compared with $1.81 a share earned in the corresponding previous period.

In placing the stock on a $4 annual dividend basis—raised from $3—last May there was confirmation of two

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Able Management of a Pressing Debt Problem

Position of Bonds Should Improve

By PIERCE H. FULTON

EVER since 1931, when the railroads of the United States began to borrow money for short terms, first from the banks, and later, and on a larger scale, in most instances, from the Government, the idea has been pretty general, even in investment circles, that both debt and interest charges were being greatly increased.

This has been true in the case of railroads that borrowed on a large scale, principally from the banks, during the early part of the depression, mostly to meet interest charges and not for the redemption or refunding of long-term debt and equipment trust certificates, sometimes carrying a higher rate of interest than paid to the lenders.

Chicago & North Western has been a rather notable illustration of the exception to the general trend in this respect. That road has been spoken of, quite freely, as one of the largest short-term borrowers among all the railroads, that have had to supplement their own income with borrowed money. While this particular road borrowed nearly $48,000,000 for short-term periods from January 1, 1931, to October 11, 1934—the net increase in the company's debt within that period was only $14,710,378.

This is a striking contrast between the amount borrowed and the extent to which borrowing increased the outstanding debt. The small increase, relatively speaking, in the latter item was made possible in the following ways: The aggregate borrowings of $47,793,133 consisted of bank loans, $12,500,000; Railroad Credit Corporation, $2,410,500, and Reconstruction Finance Corporation, $32,882,633. The total amount borrowed was reduced by the repayment to the banks of $7,500,000, to the R C C of $617,455 and to the R F C of $1,573,500, making the total repayments $9,690,955 and the net amount of short-term debt outstanding October 11, 1934, $38,102,178.

This net amount of borrowed money was used in the following ways: For the retirement of equipment maturities $17,085,800 and for bond retirements $13,659,000, making total retirements $31,744,800. Deducting from the latter amount $6,993,000 general mortgage 5% bonds of 1987 and $1,360,000 collateral serial notes issued—a total of $8,353,000—made the net amount of retirements $23,391,800, which taken from the net amount of $38,102,178 short-term loans, left the net increase in the debt of Chicago & North Western for the period from January 1, 1931, to October 11, 1934, only $14,710,378.

Not only was there this small net increase in debt, but a substantial decrease in fixed charges from 1933 to 1937 inclusive, is officially estimated. For 1933, that item was $17,281,500, while for 1934 it is placed at $16,735,100, a drop of $546,400. Fixed charges for 1935 are estimated at $16,528,500, a further drop of $206,600 from the previous year. For 1936 Chicago & North Western officials calculate fixed charges at $16,179,600, down $348,900 from 1935. In 1937, it is believed that fixed charges will be $16,011,500, a decrease of $1,270,000 from 1933, or within five years.

Funded debt of Chicago & North Western in the hands of the public as of August 31, 1934, the latest date for which an official figure is available, was $346,854,100. Under the required method of accounting, the above amount of funded debt includes $15,447,200 R F C loans of more than two years' standing and $1,360,000 P W A loans of the same standing. As President Roosevelt and Chairman Jones of the R F C have indicated that the Government might reduce the interest rate on loans to railroads next year, there may be a further reduction in Chicago & North Western's interest charges from 1935 to

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Statement of Increase in Debt of Chicago and North Western Railway

January 1, 1931, to October 11, 1934

SHORT TERM LOANS	Total Borrowed	Reductions	Outstanding
Banks	$12,500,000	$7,500,000	$5,000,000
Railroad Credit Corp.	2,410,500	617,455	1,793,045
Reconstruction Finance Corp.	32,882,633	1,573,500	31,309,133
	$47,793,133	$9,690,955	$38,102,178
FUNDED DEBT:	Issued	Retired, etc.	
Bonds:			
General Mortgage	$6,993,000	$157,000	
50 Yr. Debentures		6,555,000	
F. E. & Mo. Val. R. R.		7,722,000	
15-Yr. 6½% Secured		225.000	
NOTES:			
Col. Serial Notes (Net)	1,360,000		
EQUIPMENTS:		17,085,800	
	$8,353,000	$31,774,800	23,391,800
LEAVING NET INCREASE IN FUNDED DEBT, Oct. 11, 1934			$14,710,378

Third-Quarter Earnings Reveal Varying Profit Trends

Results Based on Period Including Summer Slump Particularly Significant

By J. C. Clifford

THE third quarter corporate earnings reports, now available in considerable number, show unusually marked variations in profit trends and reflect many factors other than the level of gross business available during that period.

As shown by most of the accepted indexes of general business activity, the volume of aggregate business during the third quarter averaged substantially lower than during the second quarter. It also averaged lower than during the third quarter of 1933, which, however, was also a period of declining volume.

Yet approximately half of the companies which have reported to date earned more in the third quarter than in either the second quarter or the third quarter of last year.

Obviously, a great variety of special causes must have been at work to account for so mixed a showing. Over a three months' period, for example, the level of industrial production may be considerably lower than the level of consuming demand. Thus, in such a situation, companies engaged in retail trade may make a relatively good showing while steel makers run heavily in the red. Again, a manufacturing company may run into a sharp third quarter decline largely because it produced at higher than the current consuming level in the preceding quarter. Such has been the case with the steel companies.

Behind almost every favorable earnings report one finds some special advantage or combination of advantages adhering—at least during this three months' period—to the corporation or to the industry within which it operates. This may be relative stability of demand, such as is found in most lines of consumption goods; or it may be an improving demand, contrary to the general business trend and reflecting fortuitous circumstance. An example of the latter might be a mail order company greatly helped by improved farm purchasing power in the South and Middle West, or a company especially helped by the Government's housing and renovation campaign.

In all instances control or lack of control over operating costs has been a major determinant of profits, and as regards many important corporations has been the chief third quarter determinant.

One of the most conspicuous examples of the vital importance of operating costs is to be found in the third quarter report of the Consolidated Gas Co. This is worthy of brief study because it is fairly typical of public utilities generally and offers striking confirmation of the validity of the stock market's appraisal of these securities over recent months.

Third-Quarter Earnings

	1934			1933	
	3rd Quarter	2nd Quarter	9 Mos.	3rd Quarter	9 Mos.
Air Reduction	1.03	1.45	3.66	1.23	2.54
Allis-Chalmers	d0.06	d0.11	d0.69	d0.30	d1.58
American Chicle	1.26	1.20	3.46	1.06	2.86
Amer. Telephone & Telegraph	1.51	1.55	4.83	1.83	5.43
Atlantic Refining	0.89	0.89	2.02	2.14	1.76
Baldwin Locomotive	....	....	d5.14*	....	d6.41*
Beech-Nut Packing	1.07	0.80	2.74	1.14	2.85
Bethlehem Steel	d1.26	0.56	d1.49	d0.60	d4.46
Bohn Aluminum & Brass	0.36	1.38	3.59	1.56	3.29
Bon Ami "A"	1.39	1.48	9.47	1.40	8.49
Bristol Myers	2.25	0.50	2.62	2.71	3.23
Caterpillar Tractor	0.46	0.68	1.56	0.09	d0.16
Commercial Credit	1.11	0.97	2.83	0.58	0.74
Commercial Solvents	0.23	0.23	0.70	0.24	0.49
Consolidated Gas	0.06	0.41	2.29*	0.34	3.64*
Container Corp. "A"	0.39	0.77	1.89	0.70	d0.12
Continental Can	....	....	5.67*	....	3.59*
Corn Products	0.94	0.66	2.33	0.98	2.68
Cream of Wheat	0.50	0.34	1.45	0.42	1.31
du Pont de Nemours	1.22	0.93	3.06	0.94	1.95
Eaton Mfg	0.14	0.65	1.30	0.40	0.45
General Amer. Transportation	1.09	0.84	2.38	0.83	1.98
General Electric	0.12	0.15	0.41	0.08	0.24
General Foods	0.60	0.42	1.72	0.62	1.82
General Motors	0.48	0.88	1.99	0.72	1.73
Gillette Safety Razor	0.40	0.34	1.00	0.03	0.76
Hercules Powder	0.78	1.27	3.23	1.12	2.02
Industrial Rayon	0.22	0.68	2.01	0.95	2.10
International Business Machines	2.35	2.43	7.18	2.10	6.22
International Cement	0.30	0.47	0.85	0.05	d0.36
Johns-Manville	0.38	0.16	0.26	0.42	d1.08
Lambert Co	0.81	0.53	2.32	0.73	2.45
Lehn & Fink	0.38	0.24	1.12	0.51	1.28

(Continued on page opposite)

This company in the third quarter sold nearly 5% more electricity than in the corresponding period of 1933, sold approximately the same amount of gas and suffered a moderate decline in steam sales, the latter being a relatively small part of its business. But its general operating expenses were up 12%, reflecting, among other things, higher costs of wages and materials; its taxes were up by the enormous margin of 19%; and its report reflected the impounding of a disputed 6% cut in electric rates. The net result was a decline in earnings of nearly 50% from the corresponding period of 1933. In other words, operating revenues were $48,987,000 in this period, against $47,684,000 a year ago; but net income fell from $6,611,000 to $3,412,000.

Third-Quarter Earnings (*Continued*)

	1934 3rd Quarter	1934 2nd Quarter	1934 9 Mos.	1933 3rd Quarter	1933 9 Mos.
Libbey-Owens-Ford	0.11	0.45	1.11	0.60	1.44
Marshall Field	d0.50	d1.20	d2.63	0.31	d2.13
Mathieson Alkali	0.29	0.37	0.93	0.60	1.27
Minneapolis-Honeywell Regulator	1.64	1.04	2.47	1.84	1.09
Monsanto Chemical	0.65	0.81	2.25	0.78	1.76
Nash Motors	d0.24	d0.34	d0.62(b)	d0.16	d0.27(b)
Nat'l Biscuit	0.36	0.44	1.21	0.59	1.49
Nat'l Distillers	1.24	0.97	4.11	0.78	1.04
Nat'l Cash Register	0.14	0.44	0.76	d0.15	d0.52
Owens-Illinois Glass	....	....	5.07*	....	3.86*
Penick & Ford	1.06	0.54	2.31	0.88	2.62
Phillips Petroleum	0.41	0.43	1.01	0.39	d0.89
Otis Elevator	0.002	d0.07	d0.24	d0.16	d0.78
Procter & Gamble	0.61	0.47	....	0.64	....
Radio Corp	d0.08	d0.07	d0.15	d0.15	d0.45
Scott Paper	1.45	1.05	3.51	1.42	3.24
Spiegel, May, Stern	2.08	3.43	8.56	0.85	1.06
Southern California Edison	0.47	0.27	0.79	0.50	0.98
Standard Brands	0.19	0.31	0.84	0.28	0.79
Texas Gulf Sulphur	0.75	0.76	2.07	1.03	1.97
Tidewater Associated Oil	0.17	0.05	0.31	0.26	d0.06
Union Carbide & Carbon	0.49	0.54	1.51	0.51	0.99
Union Oil of Cal.	0.32	d0.05	0.39	0.24	0.28
United Fruit	1.48	1.62	3.65	1.38	3.13
U. S. Smelting Ref. & Mining	....	....	5.78(a)	....	2.67(a)
United States Steel	d1.85	d0.11	d3.49	d1.04	d5.40
Wesson Oil & Snowdrift	....	....	2.03*	....	0.71*
Westinghouse Air Brake	0.06	0.09	0.07	d0.08	d0.17
Westvaco Clorine	0.35	0.40	1.18	0.30	0.74
Wrigley	1.11	1.02	3.09	1.05	3.04
Young Spring & Wire	0.13	0.91	1.85	0.51	1.11
Underwood-Elliott-Fisher	0.62	0.96	2.56	0.74	1.05

d—Deficit. *12 mos. to Sept. 30. a—8 mos. to Aug. 31. b—9 mos. to Aug. 31.

Railroad earnings also compare unfavorably with a year ago, partly due to declining traffic volume but even more so to increased operating costs. Unlike the utilities, their taxes—while excessive—have not advanced materially in the year. Their increased wage costs, although important, may be considered secondary. The vital burden has been increased costs of materials and supplies.

The third quarter report of the General Motors Corp. also presents an interesting contrast in operating costs and can be considered typical for the industry. Over this period its sales totalled $209,986,000, as compared with only $178,967,000 in the September quarter of 1933. But the profit showing was just the reverse of this favorable comparison, for the net income for the third quarter was only $22,858,000 against $33,341,000 a year ago.

Higher wages contributed to this reduction of profits on an enlarged volume of sales, but the larger difficulty was increased costs of materials, especially of steel.

The unfavorable third quarter reports of the steel manufacturers reflect above all a sharp decline in volume, following over-production and consumer stocking during the second quarter in anticipation of higher prices which were announced for third quarter business but later shaded. Bethlehem is typical, with net loss of $2,400,000 for the period, against profit of $3,441,000 for the second quarter and loss of only $283,000 in the September quarter of last year.

Outside of steel, various companies operating in durable goods show a slight upward trend within a depression range. Thus, International Cement earned 29 cents a share in the third quarter, against 5 cents a year ago; Alpha Portland Cement and Lehigh Portland Cement decreased the deficits substantially; and General Electric earned 12 cents a share, as compared with 8 cents in the third quarter of 1933.

Johns-Manville, on the other hand, although beneficiary of the Federal housing program, earned slightly less in the September period than it did a year ago. Although not yet available, reports of companies engaged in heating equipment and plumbing apparatus and supplies can be counted on to show material improvement as compared with a year ago, although the large percentage gain in sales looks imposing chiefly because the modest gain in dollar volume started from an acutely depressed level. In this field also, the change for the better is due almost entirely to the Federal housing and renovation campaign.

On the whole, the third quarter profits of oil companies compare favorably with a year ago, but this is now water over the dam, for the present quarter has brought serious collapse in gasoline prices and a threat to the stability of crude oil quotations, both sets of price difficulties inviting strenuous governmental efforts to estabish order and choke off the devastating flow of "hot oil" out of the Texas fields. This industry is an anomoly blessed with virtual boom-time demand for its chief product, but cursed with over-production and price instability.

As was to be expected, the majority of non-ferrous metal producers show materially enlarged profits reflecting higher prices for gold and silver and the failure, thus far, of operating costs to overtake this advantage.

Relatively minor changes in profit levels are shown by most package foods concerns, drug companies, soap companies and other makers of such household consumption goods.

As compared with the September quarter of 1933, for example, Beech-Nut Packing third quarter profits were down 7 cents a share; Bon Ami, 1 cent a share; Lehn & Fink, 13 cents a share, and Procter & Gamble, 3 cents a share; while per share net increased 22 cents for American Chicle; 8 cents for Cream of Wheat; 18 cents

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Recording and Tabulating Profits

Business Improvement and the Search for Operating Economies Give Double Support to the Office Equipment Industry

By Edwin A. Barnes

The urge to save on higher wage costs, expanding retail trade and necessitous replacement demand have combined to give the business equipment companies a much brighter outlook. Can the industry duplicate the performance of 1921?

AT the National Business Show held in New York City during the week of October 15, manufacturers of business equipment and office appliances avowed their confidence in the future by taking 40% more floor space than ever before. Moreover, it was evident that the industry had reached this optimistic conclusion some time previous, for at the show literally a dazzling array of new products and devices was displayed—the latest word in inventive ingenuity and research—testifying to the willingness of the industry to stake both money and effort on its convictions.

In fact, it would seem that the manufacturers of business equipment had taken their cue from the automobile industry, for many of the appliances in daily use have been so modernized and improved as to make much of the older equipment practically obsolete and sorely lacking in efficiency.

Manufacturers of business equipment have founded their industry on the basis of their ability to save both time and money for their customers and at perhaps no time in the history of the industry has there been a greater opportunity for rendering such service—at a profit. With general business struggling to emerge from the depression but harassed by rising costs, equipment manufacturers with a keen appreciation of the situation are placing extra emphasis on the value of labor-saving devices and equipment which will do more work in less time. Assuredly, this would seem to be a fertile field from which an abundant harvest may be reaped.

Special Advantages

Normally, the prosperity of the business equipment industry is wholly dependent upon general business activity, a contention supported by the fact that it was in the era of "big business" which followed the World War that the industry attained a really sizable stature. Since that time, moreover, the industry has followed the same pattern as general business, succumbing to the ravages of depression until in 1932 only the exceptional company was able to show a profit. This characteristic of the industry has not been altered materially but in the present circumstances considerable progress along the road of recovery might well be made somewhat in advance of general business. In other words, it may be reasoned that the business equipment industry in aiding general business to mitigate the effects of rising costs will promote its own cause on behalf of profitable operations.

The manner in which the industry expects to achieve this objective is through the medium of new and improved devices and equipment. With conditions on every side challenging the ability and acumen of business men, the business equipment industry has not been found wanting, for the efforts of engineering and research have resulted in a veritable host of new developments. Some of these new machines are almost human in their mechanical accomplishments.

For example, International Business Machines Corp., has developed a new proof machine for banks. The operator is able to run an adding mechanism with her right hand, while her left hand controls 24 sorting keys for alphabetical divisions, clearing house member banks and other classifications. The amount of a check is recorded, the classification is tabulated and the check dropped in a slot. Upon completion, the checks come out of the machine in 24 bundles, with a listing and total for each. A master tape gives the complete listing and classification for all of the checks. This machine is the result of years of experimentation and in operation will save much time, to say nothing of the savings in clerical effort.

Remington Rand has developed a system of central records control for department store or other retail use. When a sale is made, the salesman places in a machine a card detached from the merchandise sold, a salesman's card and either a cashier's card or a charge customer's token. The complete transaction is reported in a central office where all necessary tabulations and analyses are run off.

New Developments Galore

While lacking the dramatic interest of these two new products, but nevertheless highly impressive, were the new developments in typewriters, accounting machines, cash registers, multigraphing equipment, filing systems, etc. The impression was that the entire industry moving as a unit had unanimously decided to transfer all its research efforts of the past several years from the "blue print" stage to actual production. The next step is to sell them.

In many respects the sales prospect at this time resembles the situation in 1921. At that time business uncertainty had retarded equipment purchases and a large replacement demand had accumulated. In that year, the industry staged what up to that time had been its most successful show and shortly after experienced an extended period of rising sales. Once again, the industry is engaged in endeavoring to stimulate the necessary replacement buying

which undoubtedly has been postponed by the adverse conditions of the past three years or longer. At this time, however, the industry has the advantage of another factor—the compelling desire of business management to arrest increasingly higher costs.

In the matter of rising costs, the business equipment industry itself has by no means been immune from this condition. Material costs have, of course, increased; labor in many factories is being paid on a scale higher than that which prevailed in 1929; and rapidly increasing production schedules have prevented the industry from attaining the maximum manufacturing efficiency. In attempting to cope with these factors, the industry has made considerable progress in reducing selling and administration costs and as greater production experience is gained, manufacturing efficiency will doubtless be stepped up. There is, however, a practical limit to the extent to which profit margins can be widened in this manner and higher prices and lower trade-in allowances would appear inevitable.

Higher Prices

In fact, the four leading typewriter manufacturers recently announced higher prices for both standard and noiseless models. This is the first notable advance in typewriter prices since their commercial introduction 60 years ago. While the desire of the industry to avoid the risk of increased sales resistance to higher prices can be taken for granted, moderate increases in the established prices of other lines are likely to be the rule rather than the exception.

In the past, under normal conditions, the business equipment industry has sold about one-third of its output abroad and foreign sales have accounted for around 50% of profits, largely because of the wider margin of profit on this business. Thus, the foreign prospect is an important factor to be reckoned with in the outlook for the industry.

Reflecting the unsettled economic conditions in the principal foreign outlets, export volume of business equipment had, by the middle of 1932, declined to less than one-fifth of the peak levels in 1929. Shortly after the United States embarked upon its currency devaluation program, however, creating what in effect was a reduction in prices for foreign buyers, sales gained rapidly until by the end of 1933 exports of business equipment had more than doubled. Since that time, sales have averaged around 40% of the previous peak.

The ability of the industry to tap foreign markets to this extent, despite the obstacles of exchange restrictions and import quotas, gives graphic testimony to the prestige which is enjoyed by American manufacturers of business machinery. Because of the superiority of American business equipment, there has been relatively little competition from foreign manufacturers and even such highly industrialized countries as England and Germany are among our best customers. Several leading manufacturers are well represented in Germany with manufacturing and distributing organizations. There are no large stocks of rebuilt equipment abroad and much of the equipment now in use is outworn and obsolete. On the whole, therefore, the foreign market is an important potentiality, with the more immediate prospects restricted to the present volume until there has been a change for the better in the foreign political and economic situation.

The export outlook in other than European countries, however, is more promising. The Far East offers the industry a large undeveloped field; the British Dominions are likely to continue to be important outlets; while the situation with respect to Latin American countries may be favored by further trade agreements such as the one recently concluded with Cuba. It is particularly significant that the Cuban agreement made special provision for the reduction of tariffs on American business equipment.

The Leaders

Although there has been a definite trend in the business equipment industry toward complete integration, with perhaps a dozen companies accounting for 80% of the total production, the industry lacks homogeneity and any forecast of the prospects must be qualified to the extent of admitting that each of the leading companies is subject to the force of its individual characteristics and problems. Consolidations and increasing expansion of activities have produced five corporations which might be said to share leadership in the industry, each manufacturing a diversity of devices and appliances. Many of the products manufactured by these companies are competitive but competition, while keen, is largely between the recognized leaders. Like the electrical equipment manufacturers, business machine manufacturers collaborate and interchange patents, resulting in greater simplification and standardization of products to the greater benefit of users and manufacturers alike.

In the aggregate, therefore, the industry is one characterized by aggressive but healthy competition; its background has been one of orderly expansion and development; and proper emphasis has been given to the factor of diversification, producing a greater

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Representative Manufacturers of Business Equipment

Company	Products	Earnings Per Share 1934*	1933	1932	Div.	Recent Quotation	COMMENT
Burroughs Adding Mach.	Adding machines, accounting machines, cash registers, typewriters, office supplies	0.32(c)	0.26	0.13	0.40(a)	14	No bonds or preferred stock. Paid dividends continuously since 1905. Strong financially.
Int'l Business Machines	Recording and tabulating equipment, time clocks, scales, grinders, slicing machines	7.18	8.16	9.18	6.00	140	Impressive stability of earnings results from large income from leases. No debt or preferred stock.
National Cash Register	Cash registers, specialized accounting machines, check machines	0.76	d0.36	d2.09	0.50	16	Expanding into new fields. Sales aided by repeal. Capitalization simplified.
Remington-Rand	Typewriters, tabulating and filing equipment, accounting and bookkeeping machines, adding machines	0.01(b)	d2.95(b)	d3.32(b)	....	8	Output widely diversified. Finances strong. Dividend accumulations on preferred must be liquidated, before common can be considered for dividends.
Underwood Elliott Fisher	Typewriters, adding machines, flat surface writing and accounting machines	2.56	1.99	d1.43	2.00	49	Products cover a broad field. Large gain in earnings despite increased costs.

*—9 mos. to Sept. 30. a—Plus extras. b—Year ended Mar. 31. d—Deficit. c—6 mos. to June 30.

BOHN ALUMINUM & BRASS CORP.

Aggressive Development Widens Possibilities

Independent Source of Raw Material and Expanding Products Favors Earnings Outlook

By Ward Gates

THE Bohn Aluminum & Brass Corp., distinguished itself recently with an announcement pregnant with future possibilities for the company. According to the official statement, the company, after five years of research and experimentation, has developed a method for the commercial production of aluminum from alunite.

Some measure of the potential importance of this development is derived from the fact that while aluminum is plentiful it can be produced profitably from only a single ore—bauxite. The Aluminum Co. of America, by virtue of its sole ownership of the United States patents for the extraction of aluminum and from its extensive holdings of bauxite deposits, has a monopoly on the production of virgin aluminum in this country. While Bohn Aluminum is by no means dependent entirely upon the Aluminum Co. of America for its present supply of aluminum metal, inasmuch as many of its products are cast from secondary metal, should the company's new process ultimately prove successful in creating a new source of supply it is likely to result in a greatly increased use of aluminum.

It is contended, and not without reason, that many automobile manufacturers and other potential industrial users of aluminum have been reluctant to use aluminum on a wide scale, for fear of placing themselves at the mercy of a monopoly. Another source of supply, therefore, would doubtless remove this restraint to the greater benefit of all concerned.

In the meanwhile, Bohn is proceeding with the development of this new process in a commendable fashion. The immediate plans of the company involve the erection of a "pilot plant" at Detroit, requiring the outlay of only $50,000. This experimental plant will incorporate all of the practical production steps of a large-scale unit, but will enable the management to correct any faults or difficulties, and in the event that the process, for some reason not now apparent, proves commercially unfeasible, the company will be able to abandon it without having to write off the more substantial sum required to place an actual plant in operation.

Bohn Aluminum & Brass

	Earnings Per Share	Dividends
1934	3.58*	2.25f
1933	4.24	1.00
1932	d2.04	0.37½
1931	0.84	1.50
1930	2.06	2.62½
1929	7.43	5.00
1928	9.10	1.87½
1927	3.38	1.25
1926	2.53	1.00
1925	3.43	1.00

*9 mos. to Sept. 30. d—Deficit. f—Paid to date.

Looking to the future, and if the results at the "pilot plant" justify it, the company will erect a $10,000,000 plant in Utah, close to the most extensive alunite deposits in the United States.

While granting that this new process is still in the development stage, with its ultimate success still in doubt, its potentialities assuredly are of more than passing interest and in the meanwhile the company's established activities should continue producing satisfactory returns.

As a matter of fact, pioneering into new fields is not an unusual experience for Bohn Aluminum and much of the company's present position is the result of new products developed and brought to commercial maturity, largely through the efforts of Charles B. Bohn. Mr. Bohn has long been identified with the manufacture of aluminum castings and at one time shared ownership of the Aluminum Castings Co., with the Aluminum Co. of America. In 1918, however, Mr. Bohn sold his interest in that business and organized the Chas. B. Bohn Foundry Co., the nucleus of the present Bohn Aluminum & Brass Co., which was incorporated in 1924.

Mr. Bohn developed the nickel-aluminum piston, later followed by aluminum alloy for use in automobile cylinder heads. Legend has it that in order to convince Henry Ford of the value of this latter product, Bohn overcame Ford's rejection by purchasing a Ford automobile and installing the aluminum cylinder head in place of the cast-iron head. The outcome was that Ford is today an important customer of the Bohn company for both aluminum pistons and cylinder heads.

The Aluminum Co. of America has likewise developed both a cylinder head and piston of aluminum alloy and competes with Bohn. With Aluminum Co. holding a monopoly on the production of aluminum and competing as a fabricator of aluminum products, naturally Bohn is doubly anxious to break this monopoly. And it is this condition which doubtless has provided the incentive which led to the development of Bohn's new alunite process.

During the past year, the company's engineers have developed an improved aluminum piston which has been tested by several automobile manufacturers and present plans call for the introduction of a new type of bearings and an improved cylinder head. This policy of development adds to the favorable

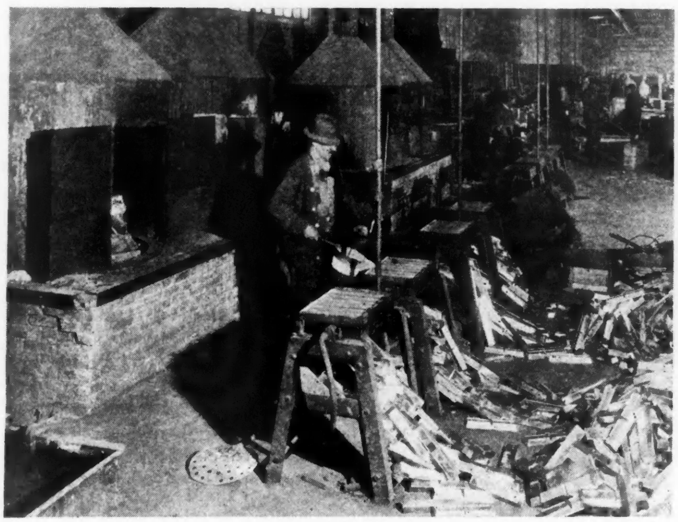
outlook for the company's industrial position.

Up to this point, emphasis has been placed upon several products manufactured by Bohn for the automobile industry and despite the fact that additional products of this nature include housings, crank cases, bushings, valves and others, the company is by no means dependent upon the automobile industry to the extent which this list of products would seem to suggest. Bohn manufactures aluminum castings for vacuum cleaners, refrigerators, radios, washing machines, aircraft, etc. In 1931, the company began supplying the building trade with aluminum and bronze castings, but because of the continued low level of construction activity, this division of the business has been retarded. While offhand, these various other outlets would seem to be of secondary importance, particularly in contrast with the automobile industry, they do, nevertheless, account in the aggregate for 60% of Bohn's total business.

Broad Market for Products

In other words, as one of the foremost manufacturers of aluminum castings in the world, the broad diversification which this distinction connotes relieves the company from heavy dependence upon any single industry or customer. As a result, the possibility of unusually wide fluctuations in earnings is reduced on the one hand, and on the other, there is the promise that any one or more of the industries which Bohn serves may enlarge substantially their requirements in the future. Moreover, expert opinion holds to the belief that the possibilities of aluminum for industrial uses have been little more than scratched.

Aluminum, by reason of its lightness and durability, is admirably suited for many purposes, and it is a safe assumption that many products now being made of other metals will at some future time be made cheaper and better with aluminum. Despite the fact that aluminum has doubtless been restrained from achieving wider application than is true today by the existence of a monopoly able to fix prices, the number of practical uses to which the metal has been adopted has increased steadily. Consider, for example, Union Pacific's aluminum streamlined train which recently made a record-breaking run from coast to coast; at the Chicago Fair there was exhibited an aluminum Pullman car; there is aluminum furniture, aluminum beer barrels and aluminum tank cars. Ten years ago these products were unheard of.



Casting Bearing Metal for the Automotive Industry in Bohn's Detroit Plant

Consumption of architectural aluminum, which accounted for only 25,000 pounds in 1927, had increased to 4,800,000 pounds by 1932 and the entire field of building and home construction is one of the richest, from the standpoint of potential demand for aluminum. All of which at the moment may seem to be placing the greater stress on the unpredictable future but the fact remains that any company with an established business and an important stake in the future promises the largest investment returns.

Granted then that Bohn Aluminum is a leading organization identified with a field of almost unlimited possibilities, and doing its full share in exploring these possibilities, what of its more immediate outlook?

For one thing the company will earn this year very close to $4.50 a share on its capital stock, a sum more than adequate to support the present quarterly dividend of 75 cents a share. In the third quarter, Bohn reported net profit of $125,437, or the equivalent of 35 cents a share on its stock. While this represents a rather sizable drop both from the $1.38 in the June quarter and $1.56 in the third quarter last year, it suggests nothing more alarming than a temporary lull in conformance with the curtailed production of automobiles in anticipation of new models and the normal seasonal let-down in public buying.

For the full nine months to September 30, however, the company earned $1,263,456, after depreciation, taxes, etc., equal to $3.58 a share as compared with $1,159,229, or $3.29 a share in the same months of 1933. For the full 1933 year, profits reached the impressive recovery level of $4.24 a share. In 1932, the company suffered its only deficit of the depression and the first loss since it was organized in its present form in 1924. The net deficit in that year, after allowing for an inventory write-off of $475,000, amounted to $720,567.

Compact Capital Structure

In connection with Bohn's earnings record during the depression years, it is interesting to note that the company's loss in 1932 was less than one-third of the loss suffered by the Aluminum Co. of America. In the following year, with recovery getting under way, Aluminum Co. earned $1,662,413 and Bohn showed about $1,500,000 on the profit side of its ledger. Bohn, of course, is a considerably smaller company and the difference in earning power in normal times would be much greater in Aluminum Co.'s favor. The point is, however, that Bohn with a smaller but compact organization was able to meet the depression with less difficulty.

Bohn likewise has a compact capital structure. In addition to the 352,418 shares of capital stock outstanding, there is a small issue of 6% debentures due in 1938. Outstanding originally in the amount of $2,155,000, these debentures have been gradually retired and with the redemption of $500,000 on November 1, there remains only $500,000 still outstanding. To this extent the equity for the capital stock has increased proportionately.

Because of the comparatively small amount of common stock outstanding, the shares in the past have been subject

(*Please turn to page* 109)

Stocks With Promising Prospects

Financial Position Strong—
Operating in the Black

By Phillip Dobbs

Commercial Solvents

Commercial Solvents Corp.

Balance Sheet, December 31, 1933

Assets		Liabilities	
Ld., bldgs., equip. of C. S. Corp...	$1	Common stock and script.......	$6,596,435
id Subsidiaries...........	870,335	Total current liabilities.........	1,268,743
id New Operations........	701,415	Res. for comp. to off. & employees	32,850
Cash.........................	1,646,642	Miscellaneous reserves.........	48,359
Other current assets..........	6,049,237	Earned surplus................	4,123,227
Investments, etc..............	2,579,702		
Goodwill & Patents............	1		
Deferred charges.............	222,281		
	$12,069,614		$12,069,614

THE Commercial Solvents Corp. is essentially a modern product. It makes very little indeed for which there is a direct consumer use, but without the company's output, or the similar output of its competitors, all kinds of lacquers and paints, dyestuffs, textiles and artificial fabrics to which we have become accustomed would be non-existent.

As its name implies, the company is a manufacturer of industrial solvents. It was formed originally in 1919 for the exploitation of the Weizmann process in which butyl alcohol and its derivatives could be produced by a special corn fermentation. From a bushel of corn, Commercial Solvents obtains about six pounds of butyl alcohol, three pounds of acetone and some ethyl alcohol, while by-product gases are made to yield synthetic wood alcohol and carbon dioxide gas which is compressed into dry-ice. In addition, there is a ready market for the residual crude corn oil and cattle feed.

A compound of butyl alcohol is the solvent employed in "Duco", du Pont's world famous automobile finish. It is widely used also by the artificial leather, varnish, drug and other trades. Acetone finds an outlet in the artificial silk and photographic trades. Synthetic wood alcohol, or methanol, has a great many uses and finds its way into synthetic resins and plastics among other things.

Last year the Commercial Solvents Corp. issued 105,000 shares of its common stock (valued at the time at some $2,500,000) for the entire capital stock of Rossville Commercial Alcohol Corp. and its subsidiary, American Solvents & Chemical Corp. of California. By means of this acquisition, Commercial Solvents became an enterprise in the ethyl alcohol field second only to U. S. Industrial Alcohol. The three plants which were so acquired—two in New Orleans and one in Agnew, California—have a storage capacity for 20,000,000 gallons of molasses and a manufacturing capacity of 34,000,000 proof gallons of alcohol annually. The employment of this alcohol as an automobile anti-freeze is being stressed.

In addition to the alcohol made from molasses, Commercial Solvents recently has expanded and reconditioned its own plants for the direct production of alcohol from grain. There is an extensive outlet for the grain alcohol in blending whiskies and other potable preparations and in the manufacture of fine perfumes. The facilities of the Commercial Solvents Corp. are now capable of producing 65,000,000 proof gallons of grain alcohol annually.

Other interests of the Commercial Solvents Corp. include a joint ownership with the Corn Products Refining Co. of the Resinox Corp. The latter is a manufacturer of moulding resins and compounds in a wide range of colors and qualities. It is, moreover, engaging in extensive research with a view to improving and widening the demand for its products. While last year the Resinox Corp. operated at a loss of some $24,000, this division of the business is still in the development stage and, given time, might well prove profitable.

In 1931, Commercial Solvents joined with du Pont interests in the formation of the Krebs Pigment & Color Corp. This company operates three plants and manufactures pigments used in the lacquer, paint, enamel, paper, linoleum, oil-cloth and ceramic trades. Last year, the 30% holding of Commercial Solvents in the Krebs Pigment & Color Corp. yielded a larger return than in the year previously.

Finally, Commercial Solvents is interested in another company, the Thermatomic Carbon Co. This is a manufacturer of special types of carbon black from natural gas, which are marketed under trade names and have a considerable demand from automobile tire makers and others.

Ownership of the Commercial Solvents Corp. lies solely with the holders of its 2,635,957 shares of no-par common stock. There is neither preferred stock nor funded debt. Financially, the company is strong. At the end of last year current assets totaled $7,695,879, of which $1,646,642 was in the form of cash, while current liabilities amounted to $1,268,743.

For the first nine months of this year, Commercial Solvents earned $1,850,493 after charges and taxes. This was equivalent to 70 cents a common share and compared with 48 cents a share in the first nine months of 1933. For

the full year 1933, earnings were equivalent to 88 cents a share, while in 1932, 50 cents a share was reported.

From the latest interim report, it is obvious that Commercial Solvents will earn the regular 60-cent annual dividend with a good margin to spare. Moreover, there is every reason to believe that earning power is under-stated rather than over-stated. For years, it was the management's policy to charge extremely heavy depreciation to earnings. At the end of 1930, the company was carrying not only its patents and goodwill at the nominal sum of $1, but plants which hardly could have cost less than $15,000,000 to duplicate also were carried at $1. Consequently, it was not necessary to charge earnings with any depreciation at all for these assets during the years of greatest depression.

At the present time, these same assets are still carried at $1, but the heavy expenditures which it was necessary to make at the Terre Haute and Peoria plants during last year have been capitalized. Land, buildings and equipment of the subsidiaries acquired during that year also have been capitalized in the ordinary way. There is no reason to suppose, however, that old policies have been abandoned and one may expect these new assets to be depreciated just as fast as were old assets in the past. If this is done, the company's reported earnings for the next year or two obviously will err on the conservative side.

Yet, even taking this view of coming earnings' reports, the common stock of the Commercial Solvents Corp. hardly can be said to be on the bargain counter at the current price of $18 a share. It is to the future that the owners of the business must look: to obtaining eventually the fruits of a progressiveness already demonstrated.

Westinghouse Air Brake Co.

FEW companies engaged in the manufacture of capital goods managed to weather the depression with a loss in only one year. Among them was the Westinghouse Air Brake Co. and it was unfortunate that the $660,000-loss in 1933 had to mar a long history of profitable operations. The company is a maker of complete air brake equipment for steam, electric and street railways, air brakes for automobiles and other equipment including air compressors, feed water pumps and automatic couplers. It has a subsidiary which is a large factor in railroad automatic signaling devices and appliances. Another subsidiary makes foundation brakes for locomotives, various valves, fittings and drop forgings. Still another subsidiary makes castings. Finally, the company has extensive interests abroad.

Westinghouse Air Brake Co.

	Net Income	Earned per share of common
1933	$659,560 Loss	..
1932	1,421,247	$0.45
1931	3,155,111	1.01
1930	6,496,841	2.05
1929	8,822,711	2.78

Strong financially and conservatively capitalized, the Westinghouse Air Brake Co. is in an excellent position to take advantage of any upturn in business that might materialize. And there are signs now that the long wait is about over. Last month in a vote taken by the American Railway Association 80% of the Class 1 roads voted to equip existing freight cars with a new type of air brake developed by Westinghouse. The new brake is compulsory on all new cars, enabling long freight trains to slow down and pick up speed without the danger of a derailment because of the unequal braking pressures at different ends of the train.

The railroads have specified a ten-year period as the time within which they expect to have all their freight cars equipped with the new brake; but purchases will be facilitated by P W A loans at 3½% interest to those roads in a position to borrow. With 2,000,000 freight cars currently in use and even though one makes liberal allowances for those that will wear out or be replaced before the installment of the new apparatus, it is clear that between them, Westinghouse Air Brake and New York Air Brake (permitted to manufacture under license) should share a large business over the next ten years. What it means perhaps will be better realized from the fact that braking installations on new cars have averaged only around 50,000 annually over the past decade.

At the present time, the Westinghouse Air Brake Co. has outstanding 3,172,110 shares of no-par common stock. This is the sole capitalization, for there is neither preferred stock nor funded debt. At the end of last year, the company's current assets totaled $30,409,498, of which $21,018,760 was in the form of cash, United States Government securities, or other marketable securities. Current liabilities aggregated only $1,531,238.

Earnings for the first nine months of this year amounted to $240,406, after all charges and taxes. This was equivalent to 7 cents a common share and compared with a net loss of more than $500,000 in the corresponding period of 1933. While the company currently is paying a dividend of 50 cents a share annually, it is clear that for this year at least the greater part of the disbursement will have to come from surplus. Yet, while even the unearned dividend yields but 2% on the capital invested in the stock of Westinghouse Air Brake at today's price of $25 a share, some optimism is justified in view of the clearly defined potentialities.

Sherwin-Williams Co.

CLASSING the National Lead Co. as a manufacture of miscellaneous metal products (although much of its output eventually finds its way into paint), the Sherwin-Williams Co. is the largest manufacturer of paint in the country. It manufactures and sells not only paint but a complete line of varnishes, lacquers, enamels, disinfectants, insecticides and colors. There are also miscellaneous lead products including litharge and lithopone.

Much of the raw material entering into the varied output, the company reproduces itself. It has its own lead and zinc mines in New Mexico; its own smelters in Kansas; operates its own linseed oil mill in Illinois; maintains its own acetic acid plants; and turns out its own containers in its own tin can plant. And all this in addition to the white and red lead plants, the lacquer, color, chemical and other plants. In all, the company and its subsidiaries operate hundreds of plants and stores.

The paint business, like most others, was affected severely by the depression. Both individuals and corporations cut down drastically on maintenance.

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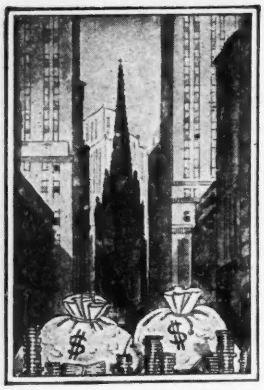


For Profit and Income

Coming Back

Struck by a terrific blast of competition from manufacturers of cheap blades, the earnings of the Gillette Safety Razor Co. have declined sharply since 1930. Earnings in 1933 were equivalent to only $1.05 a common share, compared with earnings of $5 and $6 a share in the late twenties. More recently, however, matters have taken a turn for the better. Earnings of $1 a share for the first nine months of 1934 were not far from what was earned in the whole of last year and it is clear that the company's development of new products, its meeting of the price competition, and its intensive selling efforts are having a favorable effect. Moreover, it is to be noted that of an original $20,000,000-5%-debenture-issue only some $3,500,000 is outstanding currently.

* * *

No Nonsense

The salient facts of the matter seem to be these: the A & P's three or four hundred stores in the Cleveland area are dependent upon the daily deliveries of outside contracting firms. In an indirect effort to make the company a "closed shop", outside labor organizations completely tied up the whole business by preventing deliveries: and this, despite the fact that the vast majority of A & P's own employees were not affiliated with any of the labor organizations. There was some violence and destruction of property. Rather than bow to labor's coercion, the greatest merchandising organization in the world suddenly decided to forego representation altogether in the Cleveland area. Their, for the most part, innocent employees were paid off and the business of dismantling and moving was started promptly.

In the broader sense perhaps it does not matter whether A & P stays in Cleveland or whether the business previously done by this company is done by someone else. What does matter, however, is that there should be a system which permits outside labor to disrupt a business, admittedly one of the most efficient in the world, and permits more than two thousand men *whose fight it certainly was not* to be thrown out of work.

Moreover, it is merely fortunate that the damage to stockholders, many of whom undoubtedly depend upon their investment in A & P for a living, was not worse. There has been some decline, of course, but with a stock selling around $130 a share it might well have been more than the four or five points that actually were registered. If there is materialization of the signs that the controversy is to be patched up and that A & P is to re-open its stores, the market decline in A & P's stock probably will be made up rapidly.

* * *

Dividends Measure Improvement

From the average stockholder's viewpoint, business improvement could hardly be measured better than by the number and amount of dividend declarations. Last October, 624 corporations ordered payments aggregating more than $148,000,000, while in October, 1933, there was less than $131,000,000 declared by 528 corporations. Of the various divisions, banks and insurance companies, department stores, food and packing, automobile equipments, petroleum and the miscellaneous division, all registered substantial gains. On the other hand, chain stores, automobiles, public utilities, railroads, railroad equipments and tobaccos registered declines compared with a year ago. A factor contributing to the relatively good showing made by dividend declarations in October of this year has been the large amount to be paid on account of dividend accumulations. A large number of normally sound preferred stocks accumulated back dividends during the years of depression and that these accumulations are gradually being liquidated is at least a sign of a return to more usual circumstances.

* * *

Unusual Plea

When a company offers additional stock to its existing stockholders, it is usually assumed that it wishes to raise money and that it will be most gratified to have as much of the new stock as possible taken up. Indeed, if 90% or more of the new stock is bought, the company is apt to brag about it. In view of this, it is most unusual to find a company offering—as it must do—additional stock to its stockholders, while at the same time begging them not to take it up. Yet, this is what the American Encaustic Tiling Co. has done. It appears that the company had bank indebtedness outstanding of $236,000 which could be settled for $90,000 cash. It also had a building for which a buyer was willing to pay $75,000 if he could obtain in addition 30,000 shares of the company's stock at fifty cents a share. The buyer wanted both the building and the stock; neither one without the other. Hence, the rights to subscribe to new stock which the stockholders were asked to please not take up, for, if they did insist upon subscribing, there would not be 30,000 shares available for the buyer of the building. And without the building-buyer's money what was to be done about the bank indebtedness?

* * *

A Striking Contrast

On a consolidated basis the Consolidated Gas Co. of New York reported earnings for the third quarter of this year of only six cents a share approximately on its common stock. Despite the fact that this figure does not include the reserves set up against the 6% rate

(*Please turn to page* 110)

Taking the Pulse of Business

— Steel Operations Higher
— Tin Prices Rise
— Gasoline Market Firmer
— Motor Demand Holds
— Mixed Meat Outlook

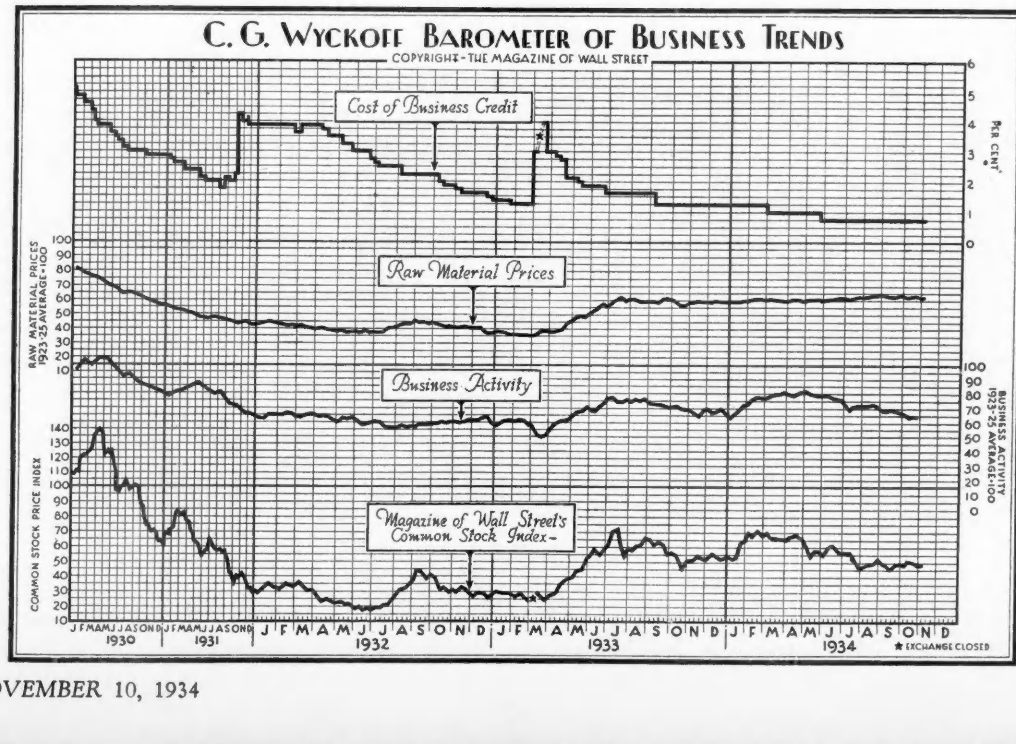
BUSINESS reports received during the past fortnight have served to emphasize the sharply contrasting situation in the consumers' goods industries, where improvement continues under the stimulus of government relief expenditures, and the deplorable condition of the capital goods field where activity remains extremely subnormal because private investment funds still refuse to come out of hiding. Thus it appears that farm income of $662,000,000 (including government subsidies of $76,000,000) in September was 20% ahead of the corresponding month a year ago, and had a 16% larger purchasing power owing to the circumstance that prices of things the farmer buys have not risen so rapidly as those of what he sells. Despite these gains, however, the Department of Agriculture reports that farm purchasing power in mid-September was only 81% of the pre-war average. This is due to the failure of non-agricultural prices to come down; since farm prices have now risen 2% above the pre-war average. In the merchandising field we find that wholesale trade in September ran 5% ahead of last year, while the National Retail Dry Goods Association estimates that store sales for the first half of October were 8% better than a year ago. Even in the building line, where new contracts are dragging bottom, it appears that expenditures for alterations and rehabilitation during the first nine months of the current year were more than double those of the corresponding period a year ago.

The purchasing power of factory wage and salary earners in September, when employment was off 5% on account of the textile strike and payrolls dropped 7%, presents a temporarily unfavorable exception to the generally healthy condition of the consumers' good division of industry. On the other hand, our excess of exports over imports in September, which came to slightly more than $60,000,000, was the largest for any like month since 1930.

A very different picture of business conditions is presented, however, when one turns to the capital goods division of industry, where new capital raised by flotation of non-Government securities in September amounted to only $43,000,000, contrasted with $95,000,000 a year ago. Building contracts let last month were 8% less than in August and 8% below last September. Residential contracts for private new dwellings were 16% lower than a year ago.

It is, of course, too early as yet to know how much fruit will be borne by the recent public reconciliation between the bankers and the Administration. This may help to revive the investment markets; but a like reconciliation between business leaders and the Administration might be more to the point, since the banks have insisted all along that they were willing to lend if responsible borrowers were willing to borrow.

At any event, a few straws in the wind as this goes to press are beginning to indicate that the recession in general business, which has been in progress for six months, may have about run its course. Some consolation at least may



be derived from the circumstances that our Business Activity index, thanks largely to a sharp spurt in automobile production, has turned upward fractionally. Even car loadings and the steel ingot rate, which are perhaps the two best single business indexes, have recently experienced somewhat better than seasonal gains. Thus it is particularly encouraging to note that most of the recent pick-up has been among the heavy industries, which have been conspicuous laggards throughout the depression. That this change for the better may be something more than a flash in the pan is suggested by the rise in machine tool orders in September to a level 20% higher than the year before.

In response to softness in the gold bloc currencies, and a rather uncertain nearby outlook for domestic business, our indexes of Common Stock and Raw Material prices have been slightly reactionary since our last issue; though firmness continues in the bond market under stimulus of a continued low Cost of Business Credit.

The Trend of Major Industries

STEEL—In response to gradual improvement in the volume of small orders from miscellaneous sources, the steel ingot rate has advanced by gradual steps to a level of 25% of nominal capacity from the low point of around 18.5% touched during the first week of September. At 25%, the actual tonnage is equal to what would have been produced in 1929 with plants operating at 32% of the then capacity, since the country's capacity for turning out steel ingots has, rather perversely, expanded by 27% during the worst depression in history. Improved relations between government and business have created a somewhat more cheerful feeling in the trade, and some authorities look for a 35% rate before the year closes. Considerable encouragement is also being derived from recent hardening in the quotations for scrap.

METALS—Following China's action in placing an almost prohibitively heavy export tax on silver, the domestic price has dropped to 53 cents, which is 2⅝ cents below the highest level thus far reached on the recovery. With the drying up of supplies from China, the Treasury has turned to the output from Mexican mines in carrying out its program; but it is proceeding leisurely in its purchases in order to cause as little disturbance as possible in the foreign exchange markets. There is, however, a possibility that silver buying may be pushed more vigorously after the elections. Copper continues in moderate demand at the pegged price of 9 cents, though prices for export have advanced fractionally since our last issue. Lead and zinc are practically unchanged; but tin prices have risen somewhat in response to strength in sterling.

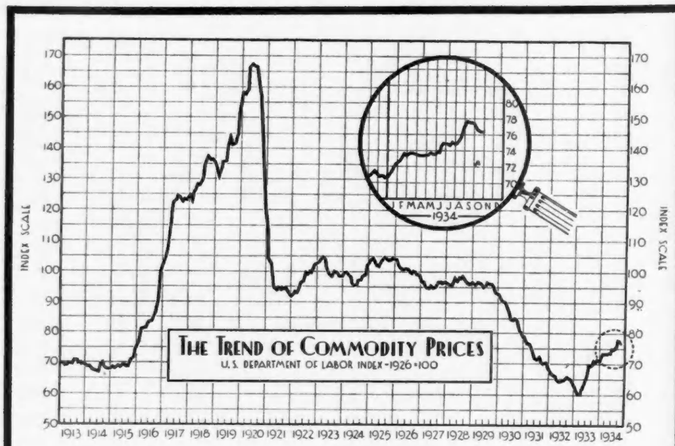
PETROLEUM—Enforcement since our last issue of a Federal order forbidding acceptance of crude oil or its products by railroads for interstate shipment, unless accompanied by Federal tenders, is reported to have virtually stopped the marketing of "hot oil" and its products. As a consequence, gasoline prices, which had reached a state of near-demoralization in many sections of the country, have already begun to recover. A few cuts in crude prices have appeared here and there; but the major companies will probably not follow suit unless the present seemingly successful plan of enforcement should be frustrated by court injunction, as has been the fate of all previous efforts to control the flood. Meanwhile it is noteworthy that production in Texas has actually fallen below the Federal quota, though other states are still over-producing. The industry now has its fingers crossed.

AUTOMOBILES—Price cuts by dealers to expedite clearance of old models before the new come in is making heavy inroads into field stocks, and probably 50,000 more cars and trucks were sold here in October than were produced. Production last month is estimated at 125,000 units, with domestic sales running around 160,000 and exports placed at 17,000. This compares with a production of 138,365 in October, 1933.

FOOD—Cold storage holdings of pork on October 1 were about 20% lower than last year, and prices are much higher. Receipts at primary markets in September were less than a third as heavy as last year. Statistically, beef is in a diametrically opposite position at the present time, with receipts more than double those of a year ago and storage holdings up 80%. Lamb and mutton are also coming in faster than last year and inventories are piling up in storage. The same applies to fish: also cheese. Butter and egg holdings and production are far below last year, and potatoes are coming in comparatively slowly.

Conclusion

An apparent truce between the Administration and the country's leading bankers has injected an air of somewhat greater confidence into the business outlook, which has been reinforced by a recent slight upturn in the Business Activity index and by a rather sharp rise in machine tool orders which, in the past, have served as a fairly dependable barometer of the capital goods industries. Merchandise sales, which have held well above last year throughout the recent recession in the heavy goods field, have begun to widen their lead over 1933, and will probably continue to make a fairly good showing so long as the Government is obliged to expend large sums for the purpose of alleviating conditions among the unemployed, which at present writing number substantially more than a year ago at this season.

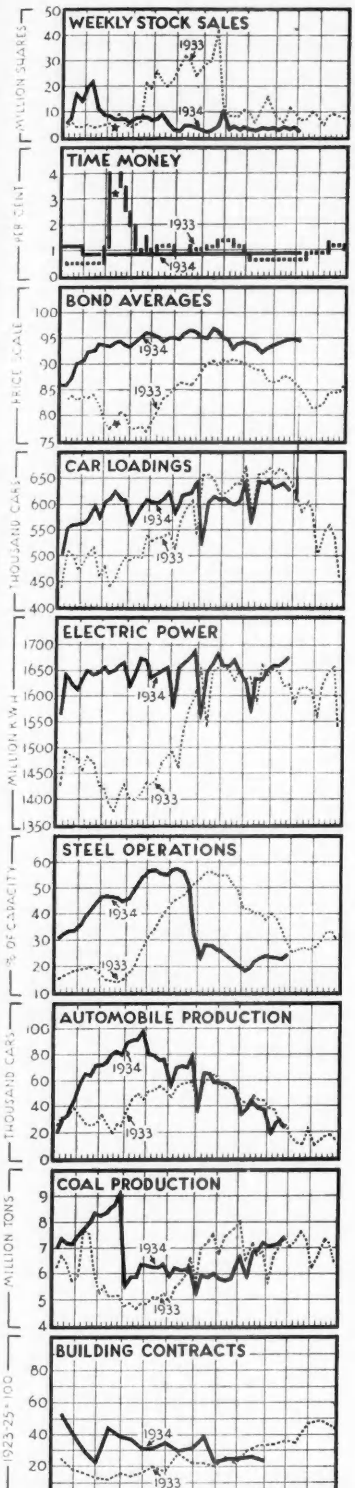


Changes in Major Commodity Price Group for the Fortnight Ended October 27, 1934

Farm Products	down 0.2	Metals	down 0.1
Foods	up 0.6	Building materials	no change
Hides and leather	up 0.1	Chemicals	up 0.1
Textiles	down 0.2	Housefurnishings	no change
Fuel and lighting	down 0.4	Miscellaneous	up 0.1

The Magazine of Wall Street's Indicators

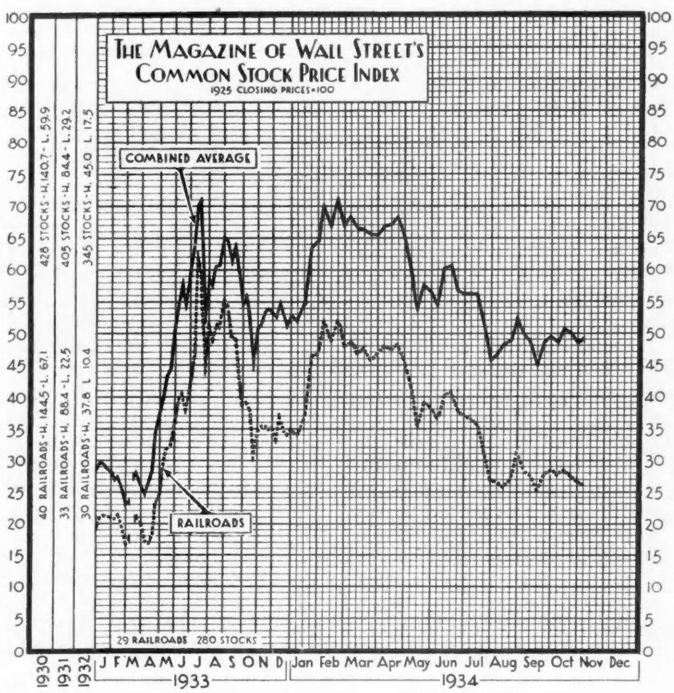
Business Indexes



Common Stock Prices Index

1933 Indexes High	1933 Indexes Low	1933 Indexes Close	Number of Issues	COMBINED AVERAGE (1925 Close—100)	1934 Indexes High	1934 Indexes Low	Oct. 20	Oct. 27	Nov. 3
71.3	22.7	52.9	312		71.2	45.0	50.1	48.3	49.1
116.0	26.8	68.6	5	Agricultural Implements	105.7	44.2	61.2	54.7	58.6
37.8	7.3	27.1	5	Amusements	42.3	20.2	25.3	23.5	23.0
50.9	12.4	41.3	14	Automobile Accessories	58.9	35.2	41.4	41.0	43.1
22.7	7.3	18.0	13	Automobiles	24.9	11.8	12.7	12.0	11.8
102.9	41.8	51.6	5	Aviation (1927 Cl.—100)	92.5	43.6	46.4	45.4	44.4
26.5	5.1	12.2	4	Baking (1926 Cl.—100)	17.4	8.7	10.1	9.3	8.7
157.5	79.9	145.6	2	Biscuit	150.0	102.6	111.0	102.8	102.6x
357.1	86.8	207.0	3	Bot. & Cks. ('32 Cl.—100)	240.9	153.6	170.8	172.2	180.0
128.8	39.8	107.6	5	Business Machines	136.0	100.0	115.5	113.0	115.9
191.1	92.9	189.1	2	Cans	207.8	178.9	207.8	204.9	206.9
238.2	71.5	193.6	8	Chemicals	210.5	134.3	148.5	142.0	145.2
34.8	11.3	28.0	16	Construction	37.2	22.1	25.2	24.6	25.4
81.0	20.3	54.9	6	Copper	70.1	40.2	43.2	40.2x	40.4
47.7	23.0	25.7	2	Dairy Products	37.0	25.7	33.7	32.6	33.1
27.3	6.6	19.6	8	Department Stores	26.8	16.4	22.1	20.3	21.2
89.0	45.3	57.0	9	Drugs & Toilet Articles	84.2	56.0	64.0	62.8	63.2
104.0	35.6	75.4	4	Electric Apparatus	91.3	59.1	66.5	63.7	65.3
104.6	33.2	103.8	2	Finance Companies	179.5	103.8	164.4	166.6	179.5H
75.2	32.6	52.0	5	Food Brands	64.0	51.1	59.1	52.3	58.1
77.5	40.5	58.6	4	Food Stores	71.1	53.7	58.9	57.8	56.9
1365.0	481.2	1180.8	3	Gold Mining	1372.0	1115.0	1226.0	1175.0	1196.5
30.3	10.5	26.0	5	Household Equipment	35.1	25.1	31.1	30.2	31.5
38.0	14.5	23.1	6	Investment Trusts	31.8	19.3	20.4	20.0	19.7
360.0	85.0	244.6	2	Liquor (1932 Cl.—100)	295.5	164.0	196.4	194.3	212.3
47.4	13.5	39.4	2	Mail Order	53.4	34.2	43.6	41.9	42.7
120.3	21.9	57.2	3	Meat Packing	88.6	51.9	68.0	64.0	65.4
136.4	30.1	132.6	11	Metal Mining & Smelting	160.1	117.4	125.7	119.6	117.4x
83.4	29.3	66.0	25	Petroleum	86.8	52.0	52.9	52.0x	55.3
30.2	6.7	15.3	3	Phonos. & Radio (1927-100)	25.0	15.2	17.7	17.5	17.6
104.0	40.8	49.0	20	Public Utilities	72.8	37.8	40.9	39.7	39.8
69.4	17.7	53.4	8	Railroad Equipment	66.2	34.3	41.2	37.8	38.6
63.0	16.3	34.5	30	Railroads	52.0	25.2	27.6	26.8	26.1
44.3	6.2	30.0	3	Shipbuilding	50.2	28.9	32.4	32.1	34.4
148.6	57.8	126.7	2	Soft Drinks (1926 Cl.—100)	150.3	114.0	131.1	129.4	130.0
69.1	19.1	51.8	11	Steel & Iron	77.0	42.0	45.9	43.7	44.3
29.5	7.3	21.3	5	Sugar	31.3	20.5	23.7	22.8	22.5
216.5	79.3	200.8	2	Sulphur	214.0	141.7	155.0	151.0	150.5
82.3	28.1	61.4	3	Telephone & Telegraph	70.3	44.0	47.6	46.2	45.9
82.2	22.5	49.1	8	Textiles	65.8	37.5	44.2	42.1	43.0
15.1	3.0	11.0	5	Tires & Rubber	14.6	7.6	8.1	7.6	8.2
90.2	46.2	69.4	4	Tobacco	81.0	66.5	80.8	80.9	81.0h
57.2	22.3	57.2	3	Traction	73.0	43.3	71.4	66.5	66.5
52.9	23.3	43.6	3	Variety Stores	192.8	43.6	182.4	171.4	179.0

h—New HIGH this year. x—New LOW this year. H—New HIGH record since 1931.



(An unweighted index of weekly closing prices; compensated by stock dividends, splitups and rights, and covering about 90% of the volume of transactions in all Common Stocks listed on the New York Stock Exchange.)

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GENERAL RAILWAY SIGNAL CO.

With General Railway Signal selling near its low for the year, do you believe this might be a good time to buy 100 shares as a medium-term investment? Do you consider the present dividend secure?—M. H. S., St. Louis, Mo.

Reflecting the low level of traffic and earnings which has characterized the railroad situation since 1930, earnings of all equipment manufacturers have fallen to unprecedented low levels. General Railway Signal Co. has been no exception to this rule as evidenced by the fact that its earnings in 1930 of $2,432,350, equivalent to $7.07 a share on the common stock, declined to $634,665, or $1.55 a common share in 1932 and a net loss of $24,119 for 1933. Another loss of $277,090 was reported for the six months ended June 30, 1934, due to the continued low level of operations. Considering the fact that the railroads have long deferred the placement of orders for needed equipment, however, there is little question as to the eventual recovery of General Railway's earning power. Just when this recovery will come is problematical, but with the Government offering P W A funds to the railroads at an attractive rate for the purchase of equipment it would seem that the low point in earnings has definitely been passed. In the meantime, replacement and renewal business, together with the sizable contract for New York City subway work, should prevent further heavy operating losses. Financial condition of the organization is strong which, together with the probability of increased sales in the not distant future, suggests continuance of the present $1 annual dividend on the common. On the basis of the concern's high potential earning power, we feel that the common offers sufficient appeal around current levels to warrant its inclusion in your portfolio.

FIRST NATIONAL STORES, INC.

I have 100 shares of First National Stores I bought at 55. I am undecided whether to take my profit or put this stock aside for the longer pull. Please advise me.—W. A. U., Philadelphia, Pa.

The record of First National Stores, Inc., is such that the shares might well be regarded in the light of a long-term investment with little cause for intermediate concern. Since its inception, the company has expanded conservatively, and has avoided, by virtue of this policy, the necessity of eliminating unprofitable units during the past few years of adversities. The company at the present time operates approximately 2,650 grocery stores and meat markets, concentrated until recently in New England. The company's entrance into the metropolitan area of New York City marks a new departure in its expansion policies, and is further reassuring in judging its future prospects. Allowing for seasonal influences, sales of the company have registered satisfactory improvement. For the five weeks ended September 29, the increase was 3.6% as compared with that for the like period of 1933, while for the 26 weeks ended the same date the increase was 4.8%. For the twelve months ended March 31, last, profits amounted to $4.97 a share on the common stock, as against $4.78 a share for the preceding fiscal period and $5.63 a share in the 1931-1932 year. Per share returns in the quarter ended June 30, last, amounted to $1.23 as against $1.53 on a slightly smaller capitalization in the corresponding interval of 1933. The decline in earnings during the latest period reflects the higher operating costs as a result of the N R A, although this factor should no longer figure in future comparative statements. On October 1, last, the company retired one-half of its 50,000 shares of $7 preferred stock, a development that may presage redemption of the remainder in the not too distant future, and pave the way for larger disbursements on the junior equity. We regard the common stock as well suited for retention in the conservative investor's portfolio, and see little cause for disturbing your present position.

U. S. INDUSTRIAL ALCOHOL CO.

I am about even on U. S. Industrial Alcohol acquired about a year ago. I would be inclined to sell—but would first like your advice since it has been profitable to me in other instances.—C. S. D., Detroit, Mich.

The U. S. Industrial Alcohol Co. in addition to producing alcohol for industrial purposes, manufactures a variety of chemical products, including ether, solvents, nitrocellulose solutions

(Please turn to page 101)

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Dividends & Interest

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New York Stock Exchange

Rails

	1932 High	1932 Low	1933 High	1933 Low	1934 High	1934 Low	Last Sale 10/31/34	Div'd $ Per Share
A								
Atchison	94	17⅞	80⅛	34⅝	73¾	45¼	51¾	†2
Atlantic Coast Line	44	9¾	59	16½	54¼	24½	28¼	..
B								
Baltimore & Ohio	21⅜	3¾	37⅞	8¼	34½	13¼	15¼	..
Brooklyn-Manhattan Transit	50¼	11⅛	41¼	21¾	44⅞	28¼	37½	†.75
C								
Canadian Pacific	20⅝	7¼	20⅞	7½	18¼	11⅞	11⅞	..
Chesapeake & Ohio	31½	9¾	49¼	24⅝	48⅝	39½	42½	2.80
C. M. & St. Paul & Pacific	4½	¾	11¾	1	8½	2½	2⅞	..
Chicago & Northwestern	14½	2	16	1¼	15	4½	5¼	..
Chicago, Rock Is. & Pacific	16⅜	1½	10⅛	2	6¼	2	2⅛	..
D								
Delaware & Hudson	92½	32	93¾	37⅝	73½	35	37½	..
Delaware, Lack. & Western	45⅞	8½	46	17¼	33¾	14	17¾	..
E								
Erie R. R	11¾	2	25¾	3¾	24⅞	9⅜	11½	..
G								
Great Northern Pfd	25	5½	33¾	4⅝	32½	12¼	14¾	..
H								
Hudson & Manhattan	30¾	8	19	6½	12⅛	4⅝	4¾	..
I								
Illinois Central	24⅞	4¾	50¾	8½	38⅞	13⅝	16	..
Interborough Rapid Transit	14⅝	2¼	13¾	4⅛	15⅞	5½	13⅛	..
L								
Lehigh Valley	29¼	5	27¾	8⅝	21¼	9½	10¾	..
M								
Mo., Kansas & Texas	13	1¼	17⅛	5¾	14⅞	4⅜	6	..
Missouri Pacific	11	1½	10¼	1⅛	6	2	2½	..
N								
New York Central	36⅝	8¾	58½	14	45¼	18⅜	21	..
N. Y., N. H. & Hartford	31⅝	6	34⅞	11⅛	24⅛	9	9¼	..
Norfolk & Western	135	57	177	111½	187	161	165⅝	*10
Northern Pacific	25⅜	5½	34⅞	9⅝	36¼	14½	18⅝	..
P								
Pennsylvania	23⅜	6½	42¼	13¾	39⅛	20⅛	22⅜	†1
S								
Southern Pacific	37⅝	6½	38¾	11⅛	33¾	14⅞	17¼	..
Southern Railway	18½	2½	36	4⅛	36½	11½	16¼	..
U								
Union Pacific	94½	27⅝	132	61¼	133⅞	90	100¾	6
W								
Western Maryland	11⅜	1½	16	4	17½	7⅛	8¾	..
Western Pacific	4¾	½	9½	1	8½	2⅝	3⅛	..

Industrials and Miscellaneous

	1932 High	1932 Low	1933 High	1933 Low	1934 High	1934 Low	Last Sale 10/31/34	Div'd $ Per Share
A								
Adams Express	9½	1⅝	13¼	3	11⅞	6	6⅝	..
Air Reduction, Inc	63½	30⅞	112	47½	106¼	91¾	103⅜	*4½
Alaska Juneau	16⅝	7¾	33	11⅛	23⅞	16⅝	17⅞	*1.20
Alleghany Corp	3⅝	⅜	8¼	⅞	5¼	1½	1¾	..
Allied Chemical & Dye	88¼	42½	152	70¾	160¾	115⅛	127	6
Allis Chalmers Mfg	15⅜	4	26¾	6	23⅜	10⅜	12¾	..
Amer. Brake Shoe & Fdy	17⅞	6½	42½	9⅛	38	19½	24	.80
American Can	73⅞	29⅝	100½	49½	107¾	90¼	100⅛	4
Amer. Car & Fdy	17	3⅛	39¾	6⅛	33⅞	12	15¼	..
Amer. Com'l Alcohol	27	11	89⅞	13	62½	20¾	26½	..
American & Foreign Power	15	2	19⅝	3⅞	14¾	4½	5⅝	..
Amer. International Corp	12	2½	15⅛	4¼	11	4¾	6¼	..
Amer. Mach. & Fdry	22¼	7½	22⅜	8¾	19¾	12⅜	18	.80
Amer. Power & Light	17¼	3	19⅞	4	12¼	3¾	4⅜	..
Amer. Radiator & S. S	12¼	3⅛	19	4⅝	17⅝	10	14⅛	..
Amer. Rolling Mill	18½	3	31⅞	5¾	28¼	13½	16⅝	..
Amer. Smelting & Refining	27¼	5⅛	53½	10¾	51¼	30¼	34⅝	..
Amer. Steel Foundries	15⅛	3	27	4⅝	26½	10⅛	13⅜	..
Amer. Sugar Refining	39¼	13	74	21½	72	46	58⅝	2
Amer. Tel. & Tel.	137⅜	70¼	134¾	86½	125¼	105¾	110⅛	9
Amer. Tobacco Com	86¾	40½	90½	49	82⅜	65¼	79	5
Amer. Tob. B	89¾	44	94¾	50¾	84½	67	80½	5
Amer. Water Works & Elec	34½	11	43¼	10⅞	27⅝	14¼	15¼	1
Amer. Woolen	10	1⅝	17	3½	17⅛	7	7¾	..
do Pfd	39⅞	15½	67½	22⅝	83¾	36	38⅜	†2½
Anaconda Copper Mining	19⅜	3	22⅞	5	17¾	10	10⅜	..
Atlantic Refining	21⅞	8⅝	32½	12⅜	35¼	21½	23⅞	1
Auburn Auto	151¾	28¾	84¼	31	57⅜	16½	23⅛	..
Aviation Corp. Del	8⅞	1½	16⅜	5½	10¾	3¾	3⅞	..
B								
Baldwin Loco. Works	12	2	17⅝	3½	16	4½	5⅛	..
Barnsdall Corp	7	3⅜	11	3	10	5⅞	6⅛	..
Beatrice Creamery	43½	10½	27	7	19¾	10¼	17	..
Beechnut Packing	45¾	29¼	70½	45	67½	58	65	*3¼
Bendix Aviation	18¾	4½	21¼	6⅛	23⅞	9¾	11¾	..
Best & Co	24⅞	5¾	33⅛	9	34½	26	35½	1½
Bethlehem Steel Corp	29⅝	7¼	49¼	10⅛	49½	24⅛	25	..

Price Range of Active Stocks

Industrials and Miscellaneous *(Continued)*

	1932 High	1932 Low	1933 High	1933 Low	1934 High	1934 Low	Last Sale 10/31/34	Div'd $ Per Share
B								
Bohn Aluminum	22¼	4⅞	58½	9½	68¾	44½	52½	3
Borden Company	43⅛	20	37⅜	18	28¼	19⅞	24½	1.60
Borg Warner	14¼	3⅜	22¼	5½	28⅝	16⅛	23½	1
Briggs Mfg	11¾	2⅞	14⅝	2⅝	19⅜	12	17¼	*1¼
Burroughs Adding Machine	13¼	6¼	20⅞	6⅛	19⅜	10½	14½	*65
C								
Canada Dry Ginger Ale	15	6	41¼	7½	29½	12½	14½	1
Case, J. L	65¾	16¾	103½	30½	86¾	35	45¾	..
Caterpillar Tractor	15	4⅜	29¾	5½	33⅜	23	30⅜	*1½
Celanese Corp	12⅝	1¼	58⅞	4½	44⅞	17⅞	26¼	..
Cerro de Pasco Copper	15½	3½	44¾	5⅞	43½	30¼	37	2
Chesapeake Corp	20¾	4⅞	52½	14⅞	48⅞	34	37¾	2½
Chrysler Corp	21¾	5	57⅝	7¾	60⅜	29¼	33⅞	*1¼
Coca-Cola Co	120	68½	105	73½	142½	95¼	142¼	6
Colgate-Palmolive-Peet	31½	10¼	22⅜	7	18⅛	9⅜	16	*.75
Columbian Carbon	41⅞	13½	71¼	23⅛	77¼	58	66¼	3.40
Colum. Gas & Elec	21	4¼	28⅛	9	19¼	6⅞	8⅛	..
Commercial Credit	11	2⅞	19¼	4	35⅛	18⅝	29¼	1
Comm. Inv. Trust	27⅞	10⅞	43½	18	61	35¾	51⅛	2
Commercial Solvents	13¾	3½	57¼	9	36¾	15¾	18¼	.60
Commonwealth & Southern	5⅛	1⅝	6⅛	1¼	3¾	1½	1⅜	..
Congoleum-Nairn	12¼	6½	27⅝	7⅜	31¼	22	29⅜	1.60
Consolidated Gas of N. Y	68¾	31½	64⅛	34	47⅜	25	26	2
Consol. Oil	9	4	15¾	5	14¼	7¼	7⅞	†.42
Continental Baking Cl. A	8	2⅞	18¼	3	14⅝	5¼	6	..
Continental Can, Inc	41	17⅝	78⅜	35¼	83¼	69½	57	2.40
Continental Insurance	25¼	6¾	36½	10½	35½	23⅜	31	1.20
Continental Oil	9⅜	3⅝	19⅝	4⅞	22¾	15¾	16⅝	†.50
Corn Products Refining	55⅜	24¾	90⅝	45⅜	84½	55½	63½	3
Crown Cork & Seal	23⅞	7⅞	65	14¼	36¼	18¾	24¼	1
Cudahy Packing	35½	20	59½	20¾	52⅝	37	47¾	2½
Curtis Wright, Common	3¼	⅞	4⅜	1½	5½	2½	2¼	..
D								
Diamond Match	19⅛	13	29½	17½	28½	21	24½	1
Dome Mines	12⅞	7½	39½	12	46¼	32	39⅛	1½
Dominion Stores	18½	11¼	26⅜	10½	23	14⅛	14¼	1.20
Douglas Aircraft	18⅝	5	18¼	10¼	28½	14¼	16¾	..
Du Pont de Nemours	59¾	22	96⅜	32⅛	103⅞	80	92¼	*3.10
E								
Eastman Kodak Co	87⅞	35¼	89¾	46	106⅜	79	105½	4
Electric Auto Lite	32¾	8½	27½	10	31⅜	15	23	..
Elec. Power & Light	16	2¾	15⅜	3⅛	9⅝	3½	3¾	..
Electric Storage Battery	33¼	12⅝	54	21	52	34	40¾	2
F								
Firestone Tire & Rubber	18⅞	10½	31½	9⅛	25¼	13⅛	13½	.40
First National Stores	54½	35	70¾	43	69¼	54¼	63½	2½
Fox Film, Cl. A	5⅞	1	19	12	17½	8¼	12¼	..
Freeport Texas Co	28⅝	10	49⅜	16⅛	50⅜	21½	26⅝	2
G								
General Amer. Transpt	35¾	9½	43¼	13¾	43⅝	30	34½	1
General Asphalt	15½	4¾	27	4⅝	23½	12	15½	..
General Baking	19⅝	10½	20⅞	10½	14⅜	6½	7⅛	†.65
General Electric	26⅛	8½	30¼	10½	25¼	16⅞	17¾	.60
General Foods	40½	19⅝	39⅞	21	36⅞	28	31⅞	1.80
General Mills	48½	28	71	35½	64½	51	59	3
General Motors Corp	24⅝	7⅝	35¾	10	42	24⅝	29	*1½
General Refactories	15⅜	1¾	19¾	2½	23⅜	10⅛	11½	..
Gillette Safety Razor	24¼	10⅜	20¼	7⅝	14	8½	13¾	1
Glidden Co	10⅜	3⅛	20	3¾	28⅜	15⅝	23½	*1.15
Gold Dust Corp	20⅝	8¼	27⅜	12	23	16	16¼	1.20
Goodrich Co. (B. F.)	12⅜	2¼	21½	3	18	8	9½	..
Goodyear Tire & Rubber	29¾	5½	47½	9¼	41⅜	18½	20½	..
Great Western Sugar	12	3¼	41⅞	7	35¼	25	27	2.40
H								
Hudson Motor Car	11¾	2⅞	16⅜	3	24½	6⅛	8⅞	..
Hupp Motor Car	5⅜	1½	7¾	1⅝	7¼	1⅞	2⅜	..
I								
Inter. Cement	18¾	3⅝	40	6⅛	37¾	18⅜	21½	..
Inter. Harvester	34⅛	10⅜	46	13⅝	46⅞	23¼	32⅛	.60
Inter. Nickel	12½	3½	23¼	6¾	29¼	21	23	†.35
International Shoe	44⅜	20¼	56⅜	24⅜	50¾	38	42¼	2
Inter. Tel. & Tel	15¾	2⅝	21¾	5⅛	17¾	7½	9	..
J								
Johns-Manville	33⅜	10	63½	12¼	66⅜	39	48⅛	..
K								
Kelvinator	10⅜	2¾	15⅝	3⅛	21¼	11⅝	14⅞	.50
Kennecott Copper	19¼	4⅞	26	7⅜	23⅛	16	16⅝	†.30
Kresge (S. S.)	19	6⅝	16⅞	5½	22¾	13⅜	18⅜	.80
Kroger Grocery & Baking	18⅞	10	35⅝	14½	33⅝	23¼	27⅞	1.60
L								
Lambert Co	56¾	25	41⅛	19⅜	31⅜	22¼	25½	3
Lehman Corp	51⅞	30½	79⅜	37½	78	64¼	65¾	2.40
Libbey-Owens-Ford	9⅜	3¾	37⅜	4¾	43⅞	24	24	..
Liggett & Myers Tob. B	67¼	34⅛	99⅜	49¼	100¼	74½	102½	*5
Loew's, Inc	37¾	13¼	36½	8½	35⅛	20⅜	29½	1
Loose Wiles Biscuit	36⅜	16½	44¾	19¼	44¾	33¼	34	2
Lorillard	18⅜	9	25¼	10⅜	19½	15¾	18⅛	1.20
M								
Mack Truck, Inc	28¾	10	46⅜	13½	41¾	22	24⅝	1
Macy (R. H.)	60½	17	65¾	24¼	62⅛	35¼	44	2
Marine Midland	14⅜	6½	11½	5	9	5½	6¼	.40

New York Stock Exchange Price Range of Active Stocks

Industrials and Miscellaneous *(Continued)*

	1932		1933		1934		Last Sale	Div'd $ Per
	High	Low	High	Low	High	Low	10/31/34	Share
M								
Mathieson Alkali	20⅞	9	46⅝	14	40¾	23½	24⅛	1½
May Dept. Stores	20	9½	33	9¾	44⅜	30	39¾	1.60
McIntyre, Porc M	21⅝	13	48⅜	18	50½	38½	43¾	2
McKeesport Tin Plate	62¼	28	95¾	44⅛	94¼	79	86	4
Mont. Ward & Co	16½	3½	28⅞	8⅝	35⅝	20	27	..
N								
Nash Motor Co	19¾	8	27	11⅛	32¼	12⅝	14⅛	1
National Biscuit	46⅞	20¼	60⅝	31½	49½	25⅞	26½	2
National Cash Register A	18¾	6¼	23⅝	5⅛	23⅝	12	15¾	.50
National Dairy Prod	31⅜	14⅜	25¾	10½	18¾	13	16½	1.20
National Distillers	27¼	13	35¼	20⅞	31⅝	16	21⅝	..
National Power & Light	20⅜	6⅝	20½	6⅞	15½	6⅞	7⅞	.80
National Steel	33⅞	13½	55⅛	15	58¼	34½	37⅜	1
North Amer. Aviation	6⅝	1¼	9	4	8⅜	2⅝	3⅛	..
North American Co	43¼	13¾	36½	12½	25¼	11¾	12⅛	.50
O								
Ohio Oil	11	5	17⅝	4¾	15⅞	8½	9¼	†.30
Otis Elevator	22½	9	25¼	10⅛	19⅜	13¼	13¼	.60
Otis Steel	9¼	1¼	9¼	½	8	3⅝	4¼	..
Owens Ill. Glass	42¼	12	96¾	31½	94	60	78½	4
P								
Pacific Gas & Electric	37	16⅞	31⅞	15	23½	12⅜	15½	1½
Pacific Lighting	47½	20¾	43⅜	22	37	20¾	23½	3
Packard Motor Car	5¼	1½	6⅞	1¾	6⅝	2¾	3½	..
Paramount Publix	11½	1½	2½	⅛	5⅞	1¾	4	..
Penney (J. C.)	34½	13	56	19¼	68⅝	51½	64½	*2.20
Peoples Gas—Chicago	121	39	78	25	43⅞	22	20½	..
Phelps Dodge Corp	11⅝	3⅞	18⅞	4½	18⅞	13¼	14	†.50
Phillips Petroleum	8⅛	2	18¾	4¾	20¾	13⅝	14¾	1
Procter & Gamble	42¾	19⅞	47½	19⅝	41¼	33⅛	39⅝	1½
Public Service of N. J	60	28	57⅛	32⅝	45	29½	31¼	2.80
Pullman, Inc	28	10½	58⅛	18	59⅜	35¼	40	3
Pure Oil	6½	2⅞	15⅜	2½	14⅞	6⅜	6¾	..
Purity Bakeries	15⅞	4⅜	25⅜	5⅞	19¾	9⅛	9⅜	1
R								
Radio Corp. of America	13½	2½	12¼	3	9⅛	4½	5½	..
Radio-Keith-Orpheum	7¾	1½	5¾	1	4¼	1½	1¾	..
Remington-Rand	7½	1	11¼	2½	13⅜	6	8⅛	..
Republic Steel	13⅞	1⅞	23	4	25¾	10½	11⅜	..
Reynolds (R. J.) Tob. Cl. B	40¼	26½	54¼	26½	50	39¾	48½	3
Royal Dutch	23¾	12⅛	39¾	17⅝	39⅛	31⅝	32⅛	†1.35
S								
Safeway Stores	59¼	30⅛	62⅜	28	57	38¼	44	3
Sears, Roebuck & Co	37¾	9⅞	47	12½	51¼	31	38½	..
Seaboard Oil—Del	20⅜	6⅝	43⅜	15	38⅜	20¾	23¾	*1
Servel, Inc	5⅜	1½	7½	1½	9	4⅜	5⅞	..
Shattuck (F. G.)	12¾	5	13¼	5¾	13⅞	6¾	7⅛	.24
Shell Union Oil	8¾	2½	11⅝	4	11½	6⅛	6⅜	..
Socony-Vacuum Corp	12¼	5¼	17	6	19⅞	12½	13⅛	.60
So. Cal. Edison	32¾	15¾	28	14⅛	22⅛	10⅛	13⅜	1½
Standard Brands	17⅞	8⅜	37⅝	13¾	25¼	17¼	17⅞	1
Standard Gas & Elec. Co	34¼	7⅝	22½	5⅛	17	6¼	6¾	..
Standard Oil of Calif	31⅞	15⅛	45	19½	42⅞	26½	32⅛	1
Standard Oil of N. J	37⅜	19⅞	47½	22¾	50⅛	39¼	40⅜	1
Sterling Products	....	....	63	45¾	66½	47¼	58¾	3.80
Stewart-Warner	8½	1⅞	11½	2½	10⅝	4½	6⅞	..
Stone & Webster	17⅜	4⅝	19¼	5½	13¼	4⅞	5⅛	..
Studebaker Corp	13¾	2½	8⅜	1½	9¼	2¼	3	..
T								
Texas Corp	18¼	9¼	30⅛	10¾	29⅜	19¾	20⅞	1
Texas Gulf Sulphur	26¾	12	45¼	15¼	43¼	30	36½	2
Tide Water Assoc. Oil	5⅝	2	11¾	3⅛	14⅜	8	8⅜	..
Timken Roller Bearing	23	7¾	35½	13¾	41	24	28¾	*1¼
Transamerica Corp	7⅛	2⅛	9⅜	2⅝	8½	5⅛	5⅜	†.25
Tri-Continental Corp	5½	1½	8¾	2¾	6¾	3⅛	3⅝	..
U								
Underwood-Elliott-Fisher	24⅜	7⅜	39½	9¼	51½	36	49½	2
Union Carbide & Carbon	36⅜	15½	51⅞	19¾	50⅞	35⅞	42⅛	1.40
Union Oil of Cal	15⅜	8	23⅜	8½	20½	11½	14⅝	1
United Aircraft & Trans	34⅜	6½	46⅞	16½	6½	3¼	3½	..
United Carbon	18	6⅝	38	10¼	46½	35	42¼	2.40
United Corp	14	3½	14½	4	8⅞	3¼	3½	..
United Corp. Pfd	39⅜	20	40⅞	22⅛	37⅞	24¼	28¼	3
United Fruit	32⅜	10¼	68	23¼	77	59	70¼	3
United Gas Imp	22	9¼	25	13⅞	20⅛	13¾	13⅝	1.20
U. S. Industrial Alcohol	36¼	13¼	94	13½	64¾	32	37	..
U. S. Pipe Fdy	18⅛	7¼	22⅛	6⅛	33	15½	18	.50
U. S. Realty	11¾	2	14½	2½	12¾	4	4⅝	..
U. S. Rubber	10¼	1¼	25	2⅞	24	11	15	..
U. S. Smelting, Ref. & Mining	22¾	10	105⅝	13½	141	96⅝	113¾	†9
U. S. Steel Corp	52⅝	21¼	67½	23⅜	59⅞	29⅜	31⅞	..
U. S. Steel Pfd	113	51½	105½	53	99½	67¼	74	2
Util. Power & Lt. A	10⅜	1½	8⅞	1⅞	5⅜	1¾	1¾	..
V								
Vanadium Corp	23¾	5¼	36¼	7⅝	31¾	14	16	..
W								
Warner Brothers Pictures	4½	½	9⅛	1	8¼	2¾	4¼	..
Western Union Tel	50	12⅜	77¼	17¼	66⅞	29½	33⅛	..
Westinghouse Air Brake	18⅛	9¼	35⅝	11¾	36	15⅞	24⅜	.50
Westinghouse Elec. & Mfg.	43½	15⅝	58¾	19⅜	47¼	27⅞	30⅜	..
Woolworth Co. (F. W.)	45⅝	22	50⅞	25⅛	54⅞	41¼	49⅞	2.40
Worthington Pump & Mach	24	5	39⅞	8	31⅞	13½	15⅞	..
Wrigley (W. Jr.)	57	25¼	57¼	34½	70½	54½	70	*3½

*Including extra. † Paid this year.

Answers to Inquiries

(Continued from page 96)

and organic chemicals. The company is represented in the liquor industry through ownership of a large block of the stock of National Distillers Products Corp. The company now is entering its most profitable period, the winter months, when anti-freeze alcohol is sold for automobiles. A new anti-freeze product known as "Super-Pyro", has been recently introduced, which will allow the company a better profit margin. This new product is being widely advertised, and is expected to augment earnings over the next few months. In the first six months of the current year earnings amounted to 90 cents a share, compared with 80 cents a share in the initial half of 1933. In the last half of 1933, the company earned $2.80 a share, and a figure approximating this amount is expected to be shown in the last half of 1934, bringing earnings for the full year to approximately $3.50 per share. The company will spend about $500,000 for plant improvement this year, and it is not likely that a dividend will be declared this year, but it is possible that stockholders will receive some return early next spring. On an earnings basis, the stock is fairly reasonably priced, and if you are willing, to be patient, we would counsel retention of your holdings.

F. W. WOOLWORTH CO.

What are your present views on the investment outlook for F. W. Woolworth Co. Do you believe its long-term earnings trend to be still upward? Do you now recommend further retention of this stock? —F. L. B., Pasadena, Calif.

Starting with one store back in 1878, F. W. Woolworth Co. has become the recognized leader in the low-priced merchandise chain store field. Its growth has been phenomenal and yet its accomplishment did not necessitate the flotation of huge senior security issues or heavy bank loans which have proven so disastrous to many companies during the depression. Moderation has been the keynote of Woolworth since its inception, not only with respect to merchandising policies but also in the establishment of new stores. While articles handled were previously limited to those which could be retailed on a profitable basis for not more than 10 cents, this was modified in 1932 when the limit was raised to include a 20-cent line. Quite obviously the variety and quality of useful products handled has been measurably increased and at the same time the stores still retain their low-price appeal. Large-scale buying for cash gives the company an advantage over smaller competitors, while individual store managers have considerable leeway in the selection of stock, subject, of course, to approval by the central purchasing department. In this manner it is possible to adapt individual stores to the buying preferences of different localities. Following the depression low level of earnings in 1932, equivalent to $2.27 a share on the capital stock, earnings in 1933 increased to the equivalent of $2.94 a share while, if we are to judge by the 8.8% gain in dollar sales in the initial nine months of the current year, earnings for 1934 should register further improvement. In consideration of the organization's record throughout the depression, its able management and promise of further growth, particularly in foreign markets, we favor retention of your holdings, both for gradual price enhancement and income.

WARNER BROS. PICTURES, INC.

What do you think of the speculative possibilities in Warner Bros. Pictures? Would you continue to hold 250 shares averaging around today's prices?—L. O. C., Washington, D. C.

As a result of over-expansion carried on during the "boom era", Warner Bros. Pictures has been confronted with no end of problems during the depression years. The ability of the company to overcome the obstacles, one by one, speaks well for its management, and lends basis for hope as to its future. While the foregoing thoughts lend basis for consideration of the company's common stock as a speculation, the risks attendant the shares are many, and should be fully recognized. The company is still burdened with a heavy debt structure, although, admittedly, some progress has been made in reducing these obligations. While the funded debt may not have been regarded as excessive, in relation to prospects that existed prior to the crash of 1929, considerable earnings improvement must be registered in the future before the common stock can be removed from its present uncertain category. For the 39 weeks ended May 26, 1934, a loss of $558,837 was recorded, as against a deficit of $5,021,774 in the corresponding period of the preceding fiscal year. Although the company's annual report for the twelve months ended August 31, last, is not available at this writing, the unusually hot weather experienced during the summer months, coupled with a nation-wide reform movement against the industry carried on by the churches, doubtless had a retarding affect upon earnings betterment. Thus, the statement for the latest fiscal year will again reveal a loss, although probably nowhere near as large as that recorded in the previous twelve months. Some seasonal gain should be registered during early ensuing months, but substantial betterment in public purchasing power must be registered, before the company's operations can be expected to result in anything like satisfactory profits. Another uncertainty has been injected into the future outlook of the company by the recent law suit instituted by William Fox on certain patents. Obviously, the outcome of this litigation cannot be predetermined at this time and its effect upon the operations of the company must be left to the future.

For Features to Appear in the Next Issue

See Page 57

NATIONAL DISTILLERS PRODUCTS CORP.

My broker tells me National Distillers Products may earn $5 this year. On this basis, don't you think the stock should be doing better? Is there some unfavorable development I have not considered?—O. R. M., Chattanooga, Tenn.

National Distillers Products Corp. reported for the nine months ended September 30, 1934, net income of $8,311,997, equivalent to $4.11 a share on the capital stock. This compares with $1,954,273 or 96 cents a share for the corresponding interval of the previous year. Earnings during the seasonally dull summer months were probably aided by the sale of its bonded whiskies on which profit margins are large. Thus, the profit for the quarter ended September 30, last, of $2,513,834 was equivalent to $1.24 a share as compared with $1,955,885, or 97 cents a share in the preceding quarter and $1,477,925 or 73 cents a share in the September quarter of 1933. With seasonal influences favoring increased consumption, earnings for the full year should exceed $5 a share. While it may seem difficult to reconcile the present low price of the stock with indicated high per share earnings, it should be borne in mind that the re-birth of the legal liquor industry is necessitating large additions to inventories and for this reason distributions to stockholders do not appear in early prospect. National Distillers was to have sold 337,000 shares of its stock to Distillers Co., Ltd., of Great Britain at a price of $25 a share

(or less) with a similar amount to be offered to stockholders, the funds thus obtained to be used in part to purchase an interest in a new American gin distilling company. These negotiations are understood to have been called off although further developments along this line seem probable. Although the company could possibly use additional working capital to advantage, it is not felt that this is essential. Illegal production continues on a large scale, if we are to judge by reports of competent observers, and this has tended to reduce the market for the legal product. The Government seems bent upon the elimination of the illegal liquor traffic, however, and with the possibility that taxes will be reduced, the outlook for the industry is favorable. With the probabilities favoring further earnings expansion, therefore, we feel that National Distillers offers speculative appeal at prevailing levels.

NATIONAL CASH REGISTER CO.

Please give me a brief analysis of National Cash Register. I am somewhat concerned that its stock is not making a better showing marketwise, and your advice will therefore be appreciated.—E. B., Boston, Mass.

Having sustained losses of $3,399,264 and $579,624 in 1932 and 1933, respectively, the report of National Cash Register Co. for the nine months ended September 30, last, amply demonstrates the company's ability to benefit from improvement in general business conditions. The net profit for the initial nine months of the current year was $1,229,751, equivalent to 75 cents a share, against $841,907 loss in the corresponding interval of 1933. Dollar sales in the nine months ended September 30, last, amounted to $22,647,947, against $15,867,619 and $12,810,302 in the corresponding months of 1933 and 1932, respectively. While the net profit of $226,804 in the September quarter was considerably below that of $722,130 in the preceding quarter, it compared favorably with the $242,134 loss in the September quarter of 1933. A survey of quarterly earnings of the company for a number of years reveals that the first and third quarters usually result in somewhat lower earnings than do the second and fourth. Thus, the indicated earnings decline in the third quarter of the current year may unquestionably be accounted for chiefly by the seasonal characteristics of the business. The company is the world's largest manufacturer of cash registers and, in addition, has developed a broad line of office specialty equipment, which gives evidence of becoming increasingly important as a revenue producer. Not only have unit sales registered considerable improvement during the more recent past but there has been a pronounced dip in repossessions. Financial condition as at September 30, 1934, was strong with current assets of $19,833,380, including cash and equivalent alone of $2,238,914 comparing with current liabilities of $2,657,714. With approximately 50% of its business obtained in foreign markets, National Cash Register would seem particularly well situated to benefit from world economic recovery. At current levels, we regard the stock as reasonably priced and counsel continued retention of your holdings.

GUARANTY TRUST CO.

Please advise me, a new subscriber, on the prospects for Guaranty Trust Co. There is but little information published on this company, and I would like to know whether to sell or hold 50 shares of this stock averaging me 330.—J. E., Worcester, Mass.

Despite the dearth of demand for credit by suitable risks which has been the chief problem of banking institutions for the past several years, indicated earnings of the Guaranty Trust Co. have been relatively well sustained. Of course, sizable charge-offs in 1931 and 1932 and to a lesser degree in 1933, considerably reduced the per share net applicable to the capital stock and brought this below the annual dividend requirements of $20 a share. With no further large charge-offs probable, earnings currently seem to suggest no change in the $20 annual dividend on the stock which has been maintained throughout the depression. Deposits as of September 30, 1934, amounted to $1,181,095,182, against $1,019,582,652 at the close of last year. While deposit increases have not as yet resulted in a material expansion in loans, they constitute a basis for earnings expansion as improvement in the general business situation stimulates the demand for credit. With assurance given by the Administration that it does not intend to permanently compete with private banking, one element of doubt as to the future which has long plagued holders of bank stocks has been alleviated. Considering the favorable earnings record of the Guaranty Trust Co., the fact that its stock is currently quoted at a discount from the indicated book value of $296 per share and the outlook for gradual earnings recovery, retention of your holdings is advised for income and appreciation.

KENNECOTT COPPER CORP.

With the price of copper falling in foreign markets, and with Kennecott's extensive Chilean holdings, do you believe the earnings outlook for this company to be unfavorable? Would you advise me to hold or sell 100 shares bought at 15¼?—W. G. B., St. Petersburg, Fla.

The Kennecott Copper Corp. in addition to ranking as the second largest American copper producer and fabricator, is strongly entrenched in the foreign copper field through its low-cost South American production. Reflecting improvement in the technical position of copper and a better price structure, the company reported earnings equivalent before depletion to 36 cents a share in the first half of the current year, which compares with earnings of but 21 cents a share in the full year 1933. The financial position of Kennecott is favorable and two dividends of 15 cents each have been declared this year. Prices of copper in foreign markets have fallen off of late, but better demand and firmer prices are looked for before long. The company's Chilean copper is produced at a cost under six cents a pound, and consequently competes with the African low-cost mines. This low-cost Chilean property gives Kennecott an unusually favorable position among foreign producers. The company recently lowered its domestic production because of the decline in consumption of the metal in September. The statistical position of copper has been greatly improved since 1931 and with general industrial recovery, Kennecott would be in a position to greatly increase its current earning power. The issue can only be regarded as a speculation at this time, but it appears to offer longer-term possibilities to patient holders.

HUPP MOTOR CAR CORP.

It seems to me that Hupp Motor common offers exceptional value at present low prices. Possibly there are factors which I have not taken into consideration, in which event I would appreciate hearing from you before purchasing the stock.—L. M. H., Buffalo, N. Y.

Hupp Motor Car Corp. has suffered heavy losses in each year since 1929 and, contrary to the experience of the leaders in the industry, failed to benefit from generally improved conditions in the first half of the current year. Thus, in the six months ended June 30, 1934, the company reported a net loss of $1,479,367, against $781,432 loss in the first half of 1933. In the September quarter, there was another loss of $923,994, or double that of $414,699 for the September quarter of last year. Naturally, protracted operations in the "red" have substantially reduced net working capital as is evidenced by the fact that this has fallen from $17,341,896 at the close of 1929 to $2,112,704 as of September 30, 1934. While the

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present management is making every effort to strengthen the efficiency of the organization and broaden the price range of cars manufactured, the success of this program has yet to be demonstrated. With the outlook for higher operating costs, with competitive conditions militating against offsetting price advances, and with the larger and financially stronger organizations occupying a better competitive position, we see little to recommend Hupp, even at prevailing low levels.

The Trend of Commodity Prices

(*Continued from page 79*)

plans for production or restriction of production, as the case may be.

For example, tin is used—and, like copper used again and again—by almost the whole world. The container business is one of the pets of modern industry and the perennial favorite is the tin can. The Federal Government's canning activities are requiring 10,000 tons of tin plate. Reference to the accompanying table will show how tin has moved up in the markets in Singapore, in London and in New York.

The metal which goes all over the world comes from the Malay Straits, from Bolivia, from the Belgian Congo, from French Indo-China, from Portugal and to some extent from the world's oldest tin mines, those in Cornwall.

The cartel which controls tin output stands almost alone as a successful example of what we sometimes call stabilization—the balancing of output against consumption. While the trade in tin is thus kept in fair equilibrium, trade conditions form a very satisfactory basis for a futures market in which there is plenty of scope for action. The run of salmon, the tomato crop, the expected pack of peas, the demand for pineapple, or kippered herring, a line on the demand for the black sheets which can makers use are all interpreted in terms of price by the market. There are items like the current one that exports from five producing countries fell below their aggregate quotas for the month by some 78 tons, suggesting a temporary slack market. Straits tin classes like electrolytic copper so that certain users will buy only Straits tin though it may for a time command a premium over—say Bolivian tin.

The commodity markets have a separate contract form for Straits tin. The London market quotes tin in pounds shillings and decimals of a shilling per ton, while our markets quote the metal in cents per pound, currently around 50 to 51 cents.

It is not in tin alone that the Malay Straits command a world market. If our country had to consider the relative importance of tin and rubber, which latter comes now from the Malay peninsula, the motorists of the country would undoubtedly insist upon having tires for their cars, if they had eat all of their tomatoes out of Mason jars forever.

We shall have to postpone the discussion of an interesting situation in the rubber market to a later issue, but we may say that, like tin, we are the largest customer in the world and manufacturers find it necessary to use the futures market just as do millers and spinners in wheat and cotton. Also we may add that the current use of crude rubber is running at record figures. The world will use in 1934 some 900,000 tons, a peak of consumption for all past time.

The tables accompanying are taken from the *Monthly Review* of Barclay's Bank, London, England, as to world prices with the source of information noted.

Inequalities of Taxation Demand Correction

(*Continued from page 70*)

for larger allowances or higher pay.

Shifting of the burden of taxes is always attended with difficulty. The landlord can not shift the property tax when rents are falling and tenants are departing. Certain articles are sold at standardized prices which are held rigid by custom rather than by the fluctuations of the market. The man who pays no income tax, and avoids tobacco, liquor, gasoline and the other excise-taxed goods usually gives no support whatever to the Federal government, and not infrequently none to his local governments.

Taxes That Stick

Considering the difficulties and resentments associated with the collection of even petty income taxes from the poorly paid, *the only answer to the need of a universal levy appears to be a sales tax collected by the vendor from the consumer for the Government.* This would be a direct tax, the consumer would know it. Such a tax might well be levied by the Federal government and divided with the state governments, in order to avoid pyramiding.

What is needed so long as we remain a capitalistic nation is a minimum of taxation of production and a maximum amount of the fruits of industry left in private hands. Doubtless the Government has responsibilities regarding the abuses of wealth, but it is not satisfying them by confiscation of productive wealth. What will happen if we go on as we now are is that we will ruin private industry by excessive and inept and strangling taxation. If we are not careful we shall soon find ourselves lagging behind in the production of wealth, with capitalism sapped by inequitable taxation and hamstrung by labor domination. We will be where England was before she woke up and realized that with the Government taking the profits and tyrannical unions preventing them, she was desperately handicapped in international competition and domestic prosperity.

Eastman Kodak

(*Continued from page 82*)

widely held opinions: (1) that Eastman's affairs had turned for the better and that the management could see daylight ahead, (2) that the company was not inclined to have earning power far in excess of dividends for the purpose of building up reserves.

On the face of it, of course, the financial position of the Eastman Kodak Co. is formidably strong. At the end of last year with cash and marketable securities (valued at the market) of $29,615,659, total current assets were $79,884,343. Current liabilities were only $10,926,861. On the other hand, it must be remembered that Eastman requires a lot of money in order to carry on its business. Every one of its factories, its sales branches, its stores, needs to keep on hand a certain amount of cash for current expenses. A business two or three times as big as Eastman's, but without the latter's ramifications, probably would have ample working capital with half the money. For this reason, there is likely little justice in the contention that Eastman has too much in liquid assets and should pay more to stockholders. Even so, there surely is enough; and stockholders reasonably may expect to receive the greater part of the profits from this point.

As for the stock, it is still a blue-chip, and justifiably so. At something over $100 a share many will contend that it is selling out of line with its earning power and perhaps it is by old rule-of-thumb methods of appraisal. But on the basis that the company is strong enough and needs little additional reserve so that a $5-divided probably could be paid without difficulty, it is not ridiculously high in relation to the potential return. Moreover, what is to prevent the company from expanding further? Even in this coun-

try, the market for film cannot be considered saturated, while abroad there must still be a prodigious market for all kinds of photographic materials. Also—and merely as a seasoning to the main prospect—there is always the possibility that over a period of time Eastman's other activities will contribute importantly to earning power.

Whether bright possibilities are to be realized in the reasonably near future, appears to depend upon general business conditions. Conditions in this country will be, of course, the most important; but with an estimate that between 20% and 30% of the net profit is derived abroad, business outside the United States is not something to be ignored—and ignored the less when consideration is given to the thought that it might be extremely gratifying to have several nice, self-contained subsidiaries outside the United States in the event that some of the dire predictions as to industry and money actually come to pass in this country.

Market Forming New Base

(Continued from page 63)

be said is that the year's low point appears to have been reached and that there has occurred a very modest improvement. The most favorable showing continues to be made in consumption goods and especially in retail trade, with the largest gains in areas most directly aided by expanded farm purchasing power.

In the steel industry, however, operations have expanded during the latest week by a point and a half to 26 per cent of capacity, the best level since the first of August, though, of course, a low one. The electric power output index likewise shows a small rise, but railroad car loadings have declined a trifle and remain around 3.5 per cent under the level of a year ago.

Automobile production for the latest week has dropped rather sharply, but this chiefly reflects the completion of production of 1934 models by Ford. This index is certain to advance substantially before long as production of 1935 cars by the majority of makers gets under way.

The petroleum industry appears to be experiencing a turn for the better, Federal efforts to shut off the flow of "hot oil" from the Texas fields having bolstered up the recently tottering price structure.

On the whole, it appears likely that the stock market will get at least modest support from the business trends of coming weeks.

MARKET STATISTICS

	N. Y. Times 40 Bonds	Dow, Jones Avgs. 30 Indus.	Dow, Jones Avgs. 20 Rails	N. Y. Times 50 Stocks High	N. Y. Times 50 Stocks Low	Sales
Monday, October 22	80.85	94.78	35.71	83.33	82.33	572,590
Tuesday, October 23	80.91	94.65	35.49	82.87	82.11	542,930
Wednesday, October 24	81.15	95.60	37.69	83.80	81.85	772,200
Thursday, October 25	81.17	94.19	35.79	83.97	81.91	1,028,370
Friday, October 26	80.80	93.01	34.98	81.59	80.21	869,650
Saturday, October 27	80.82	92.86	34.98	80.97	80.63	203,980
Monday, October 29	80.84	92.53	34.69	81.15	80.38	428,470
Tuesday, October 30	80.59	93.05	34.79	81.08	80.45	432,660
Wednesday, October 31	80.57	93.36	34.78	81.32	80.59	416,800
Thursday, November 1	80.40	93.46	34.26	81.12	80.04	541,190
Friday, November 2	80.53	94.42	34.73	81.65	80.78	650,620
Saturday, November 3	80.57	94.95	34.76	81.53	81.13	311,000

In The Next Issue

Companies Whose Earnings Exceed the Boom Peak and Why

By George L. Merton

The Key to Recovery

Our Biggest Consumer of the Products of Other Industries

By John D. C. Weldon

Chicago & North Western Railway

(*Continued from page 83*)

1937, inclusive, than indicated in the above figures.

Chicago & North Western's nearby bond maturities are not large and the cash needed for refunding them will come from two loans recently authorized by I C C and R F C. These maturities are $528,000 Minnesota & South Dakota first mortgage 3½s and $3,900,000 Iowa, Minnesota and Northwestern first mortgage 3½s. A plan for refunding these two issues has been approved by the I C C. In March, 1936, $14,775,000 Chicago & North Western 15-year 6½s mature, but that is some distance away as time and obligations are counted in Wall Street these days and does not require immediate consideration by the company.

September gross earnings of Chicago & North Western showed a decrease of $51,553 from the corresponding month of last year, while net operating income was down $376,765. Fixed charges for that month were not quite covered, as there was a net loss of $191,708 against net income of $135,992 for September, 1933. For the nine months ended September 30 the net loss was $6,533,965, or $52,193 more than for the corresponding period of last year.

While Charles D. Mahaffie, Interstate Commerce Commissioner took exception to some features of the majority opinion of his associates approving recently a R F C loan for $4,138,000 to Chicago & North Western, it was held in that opinion that the company's financial structure was not in need of reorganization at this time and that the public interest would not best be served by such an undertaking. Mr. Mahaffie contended that substantial sums would be needed to bring Chicago & North Western's maintenance up to standard. Fred W. Sargent, president of the company, calls attention to the fact that during this year 30,000 tons of steel rail, bought with the proceeds of a P W A loan, have been laid and that the physical property is in good shape generally.

The position taken in the majority opinion of the Commission and Mr. Sargent's statement are highly important in rating Chicago & North Western's credit position and in forming an opinion of the probable status of the company and its securities in the nearby future.

In the majority opinion of the Commission it was also held that, on the basis of the company's earnings prior to 1930, its debt burden probably could be successfully carried. In this opinion Mr. Sargent and his official associates fully concur. This position is substantiated by the results for 1929, in which year a net income of $15,599,056 was earned. After paying out of this amount $1,567,650 on the 7% preferred stock and $7,129,735, at the rate of 4½% on the common, there was a surplus over charges and dividends of $6,901,671. For a period of 6 years from 1924 to 1929, inclusive, fixed charges were earned from 1.61 in 1924 to 2.12 times over in 1929.

These encouraging facts concerning the Chicago & North Western's debt situation, which throw an entirely new light on the matter, should greatly reassure holders of the junior bonds of the road in particular. The Chicago & North Western 1st 4½s and 5s of 2037, and the convertible 4¾s of 1949, both held by the public in large amounts, have undergone severe deflation in this year. The convertible 4¾s of 1949 sold as high as 53½ in April, 1934, and plunged to a low of 21 in the middle of September. This issue currently is quoted at about 27, a level which would appear to ignore the fact that the Chicago & North Western's fixed charges will be substantially reduced in the next few years—a period which also should witness a substantial business recovery.

Will Business Respond to New Government Policies?

(*Continued from page 73*)

confidence and of hope of this individual that holds the key to a normal revival. He is the real master of the business cycle. No doubt there was a time when the bankers held the key. They do so no longer; and for this reason their more or less willing promise to co-operate with the Administration is really superfluous. Bankers are in the business of lending money. That is the only way they can make profits. They are not only willing, but anxious, to lend more freely. Otherwise, we would not see banks wasting money by advertising for sound loans.

But no amount of banking co-operation with the New Deal can induce our average business man to borrow unless he can see with reasonable clarity the probability of employing borrowed funds with safety and profit. There is the rub. The Government itself has found it so in the merest trickle of applications from business men for working capital loans which the R F C and the Reserve System were authorized months ago to extend.

We have cited above the major doubts acting as a drag on recovery. There are others, which for the purposes of this article, require only brief mention. There is a widespread distrust among business men not only of the volume of Federal spending, but of its particular avenues, notably in the various grandiose and long-range hydro-electric projects in competition with an existing over-capacity of private utilities. There is a regrettable smear in actual relief spending because of its open and shameless exploitation for political purposes by the Jim Farley branch of the New Deal.

There is something breath-taking in the casual way in which Administration officials—the majority without practical business or financial experience—talk and think in terms of easy billions as they improvise one vast relief and recovery scheme after another.

Moreover, business may be pardoned for entertaining certain doubts about the stability or permanence of any Administration policy as it looks back upon the winding road followed over the past nineteen months. It has seen emphasis shift back and forth from reform to recovery; from monetary tinkering to orthodox Federal financing; from C W A relief to F E R A. It has seen the Administration ballyhoo N R A with fanatical zeal as an infallible recovery agency and denounce all critics as Tories and Doubting Thomases—only to let the Blue Eagle go quietly to sleep in less than a year and to jump suddenly to housing as the great panacea. It has seen vast confusion and contradiction in the Administration's interpretation and enforcement of the collective bargaining provisions of the Recovery Act. It has seen the Administration relentlessly "crack down" for a year and a half on business and financial leadership and then suddenly extend a somewhat vague olive branch.

In this aspect of the national scene business men distrust the Administration for much the same reason that they have distrusted the ebullient Upton Sinclair, recent center of California excitement. Mr. Sinclair is an idealistic and unstable faddist with an enormous agility in shifting from one fanatical enthusiasm to another. The Administration likewise has been in the habit of veering rapidly from enthusiasm to enthusiasm. It is not particularly surprising that hard-headed business men stick to an "I'm from Missouri" attitude.

We have dealt above with background considerations affecting the business movement. In the immediate foreground there is another doubt—Congress. Will Mr. Roosevelt be able to control it or will the spenders and

inflationists go into a spree? The answer can only be given by the course of events after the turn of the year. Until it is at least partially given, this uncertainty will rank high among the influences retarding a business upturn. A satisfactory answer would quicken that upturn.

If one wishes to check opinion—necessarily fallible—against the proof of events, there are several things that will bear watching in the early future.

Watch the volume of commercial loans. The figures are available in the routine banking statistics published weekly. These figures will show whether business men have or have not been sufficiently assured to become active users of credit.

Watch Mr. Roosevelt's forthcoming utterances and actions for confirmation of a really changed and more conciliatory attitude toward capital and its problems.

Watch the rate of Federal spending and appropriations. The faster they rise the more the majority of business men will be disturbed.

Watch for an early test of the President's control over Congress. It is likely to come in a show-down on the soldiers' bonus, if not on other spending projects.

Watch such indexes as car loadings, electric power output, steel operations, automobile production, check payments, etc. They will infallibly reflect the probable forthcoming improvement.

That *some* improvement is on the cards appears a safe bet. How big it will be, and how enduring, will be evidenced by the events of the next two or three months.

Sherwin-Williams Co.

(*Continued from page* 91)

Homes and other buildings were neglected, inside and out. Contributing to the lack of demand was the dearth of activity in new construction—matter which the Government is now struggling to right. Finally, the earnings of paint companies suffered from the reduction in prices. It is for these reasons that the profits of the Sherwin-Williams Co. from a peak of $8.26 a common share for the year ended August 31, 1929, fell to a point in 1932 where the company was unable even to earn the dividend on its preferred shares.

Following this, however, there was general improvement which, after the bank holiday in early 1933 became quite marked. Sentiment became better and the country turned to catch up with some of its neglected painting maintenance. For the year ended August 31, 1933, Sherwin-Williams earned the equivalent of $3.54 a common share while, for the year ended last August, profits, after all charges and deductions, were equivalent to $5.29 a common share.

It was, of course, the improving trend to earnings that induced the company in August, 1933, to reinstate common dividends that had been omitted but for one quarter throughout the depression. Currently, the stock is paying $3 a share annually to yield slightly over 4% at the current price of $72 a share.

Sherwin-Williams Co.

Income Account (Years Ended August 31)

	1934	1933
Trading and operating profit	....	$4,970,788
Other income	....	84,146
Gross profit	....	5,054,934
Depreciation, etc.	....	1,234,167
Federal taxes	....	642,089
Net profit	$4,269,499	3,178,678
Earned per share of com. after pref. divs.	$5.29	$3.54

The capitalization of Sherwin-Williams Co. is simple. It consists solely of $15,889,575 in common stock of $25 par value and $15,299,900 in 6% cumulative preferred of $100 par value. Although the balance sheet as of the end of the last fiscal year is not available, the company is known to be strong financially.

In regard to the outlook for an exceedingly well-established paint company like Sherwin-Williams, there is to be remembered not only the indisputable fact that there is still a great deal of painting that really needs to be done, but that under the government-sponsored renovation loan scheme there has been placed in the hands of the public the means of doing much of it. While the renovation loan plan was slow in getting under way, it is now understood to be going much better. Banks are advertising widely their willingness to make such loans. In view of this, and knowing the fundamental strength of the demand for painting materials of all kinds, there would seem to be promising possibilities for profitable investment.

For Features to

Appear in the Next Issue

See Page 57

Third-Quarter Earnings Reveal Varying Profit Trends

(*Continued from page* 85)

for Penick & Ford and 3 cents for Wesson Oil.

Earnings of textile manufacturers averaged decidedly less than a year ago. Installment finance company earnings continued to make an excellent showing. Most chemical makers were somewhat under the profit level of the September quarter, 1933, reflecting accurately a general industrial activity lower than during the corresponding period of a year ago. The office equipment makers reflect a hopeful upward trend based on replacement demand for some products, government demand for others, and cost-saving advantages in still another group of their machines.

Coming Changes in Money and Banking

(*Continued from page* 68)

million dollars, or approximately double the present revenue from their bonds. Equal to 6.7 per cent on the amount involved. No bank loans could produce such revenue, and losses would be eliminated. But this is not the whole story.

It is quite evident that an average service charge much greater than $1 per month could legitimately be assessed. Very likely the average would be nearer $5 than $1, in which case the bank revenues from this source alone would be vastly greater than they have ever been under our present system.

The most intellectual bankers are just beginning to explore this possibility.

To increase business activity the Government would then gradually and from time to time take up its remaining bonds, which would eventually put into circulation an additional 17,000 million dollars. We would then have the same volume of money in circulation we had in 1928-29, but it would be real instead of synthetic money. No group, financial or political could then contract or expand our circulating medium of exchange.

A large portion of these funds would be immediately invested in certificates of deposit and savings accounts. These funds could be safely loaned by the banks to commerce and industry for sixty days, or sixty months, or sixty years. The remainder of this great fund seeking investment in profitable

industry, would start the wheels turning at full speed.

All of the problems with reference to capital loans or to the necessity of recovering loans to preserve the liquidity of the bank, would be eliminated.

The Treasury would purchase the stock of the Federal Reserve banks, which would release this money to the banks for loans or investments. These twelve Federal Reserve banks would continue to function as clearing and sub-treasury mechanisms.

The subsequent necessary yearly increase in the money in circulation is provided by proposed payment of the expenses of the Federal Government to expand the currency 4 per cent annually, which over a period of 50 years is the average rate of growth in our productivity.

Federal taxes might then be completely eliminated.

Under normal circumstances the expenses of the central government paid in cash in new money, would put into operation just about the amount required to care for our increasing population and increased productivity, without inflation, on the basis of average productive increase for the past fifty years.

Congress would have the power to assure continuous full employment and control of the price level by direct action upon the quantity of money in circulation. Accidental inflation could be immediately corrected by temporary assessment of moderate taxes.

Under this bill it would be unnecessary to continue the "national banks" as such. It would be immaterial whether banks were organized under national or state charters, or whether they were responsible private banking firms. Much of the intimate supervision and publicity now required as a protection for demand deposits would be unnecessary. All banks would be liquid at all times; even the insolvency of a bank would not interrupt its functioning, or affect the business and prosperity of a community. Large bank capital would be unnecessary. I would expect an increase in responsible private banking firms.

The Senate Banking and Currency Committee and a great majority of the intellectual bankers and business leaders of the country are convinced that fundamental reform is necessary; that full recovery is impossible until such reform is effected.

I have discussed the principal features of these proposed reforms with many able bankers and have yet to find one who was not favorably impressed when he understood and reflected upon the proposals.

I know of no valid argument which can be advanced against reforms such as are included in the Cutting bill, and I am convinced the principal reforms included in this measure are inevitable.

With such a stable monetary system, the hazard of business would be largely eliminated. The transaction of future business could be forecast with a degree of certainty which is and has been utterly impossible.

The values of our wonderful agricultural lands and magnificent building properties would be restored and remain stable. The shares of our great and brilliantly managed corporations would become the world's premier investment.

With our vast natural resources, our extraordinary inventive genius, and our proven superior capacity for organized production, no imagination can visualize the possibilities of our progress under stable conditions of increasing but controlled prosperity.

Bohn Aluminum & Brass Corp.

(*Continued from page 89*)

to rather wide fluctuations in value. By the same token, it requires only a relatively slight change in earnings to produce a rather marked effect upon per-share results. It requires, for example, only a difference of about $350,000 in earnings to add—or deduct—$1 a share. At the same time, the small capitalization permits the company to pursue a generous dividend policy in a period of rising earnings.

On the financial side, Bohn Aluminum is doubtless well provided with working capital. Although inventories comprised the major portion of working capital at the end of 1933 (latest available balance sheet) it is understood that previously the company took advantage of low metal prices to acquire large quantities of raw materials, and at the end of last year these were carried in the balance sheet at a figure substantially under their value at that time.

In summary, and looking no further than the company's immediate prospects, the shares of Bohn Aluminum would seem to invite favorable consideration on the strength of the probable security of the present dividend and the resulting yield of nearly 6%. The element of speculative risk admittedly lies in the company's close relationship with the automobile industry, so long as its other outlets remain depressed and its potential sources of earnings unproductive. With the automobile industry accounting for 40% of the company's total volume, it would seem to be the most vital factor in assuring

Bank, Insurance and Investment Trust Stocks

Quotations as of Recent Date

BANK AND TRUST COMPANIES

	Bid	Asked
Bankers (3)	54½	56½
Brooklyn (4)	86	91
Central Hanover (7)	110	114
Chase (1.40)	23¼	24¾
Chemical (1.80)	38	40
City (1)	20¼	21¾
Corn Exchange (3)	43¾	44¾
Empire (1)	17¾	18¾
First National (100)	1425	1465
Guaranty (20)	299	304
Irving Trust (1)	14½	15½
Manhattan Co. (2)	25½	27
Manufacturers (1)	19	20½
New York (5)	93	96
Public (1.50)	28½	30
United States Trust (70)	1620	1670

INSURANCE COMPANIES

	Bid	Asked
Aetna Fire (1.60)	39½	41½
Aetna Life (40)	14½	16
Carolina (1)	20	21½
Glens Falls (1.60)	29½	31½
Globe & Rutgers	40	44
Great American (1)	17¾	19
Hanover F. (1.60)	32	34

INSURANCE COMPANIES—(Continued)

	Bid	Asked
Hartford Fire (2)	53¼	55¼
Home (1.15)	25	26½
National Fire (2)	52½	54½
North River (.85)	21½	23
Phoenix (2)	63½	65½
Travelers (16)	388	391
United States Fire (1.70)	40	42
Westchester F. (1.40)	26¼	27¾

INVESTMENT TRUSTS SHARES

	Bid	Asked
Amer. Founders Trust 7% Pfd.	14	15½
Amer. & Gen. Sec. $3 Pfd.	39	44
Bullock Fund	10⅝	11⅝
Collateral Tr. Sh.—A	4⅛	4¾
Corporate Trust—AA	2.03	2.16
Incorporated Investors	15.63	16.80
Interl. Sec. Corp. of Amer., Pfd.	11	15
Do Cum. Pfd	11	15
Nation-Wide Securities B	2.84	2.94
No. Amer. Trust Shares 1958	2.15	2.40
Second Intl. Securities A	¼	1
Do 6% Pfd	25	28½
Spencer Trask Fund	13.61	14.47
U. S. & British Internl. Pfd.	5	7
Uselps Voting Shares	.52	.60

the maintenance of the recent favorable earnings trend. Bohn numbers among its principal customers such important companies as Ford, Chrysler, Nash, Studebaker and Packard, two of which rank high among the automobile sales leaders. And there is nothing at this point to indicate that Bohn will do other than continue this strong customer relationship.

To the investor with an eye to the future, the possibilities which lie in the company's new process for the production of aluminum would seem to fully provide the dynamic element, to say nothing of the future possibilities for the continued development of aluminum products.

Recording and Tabulating Profits

(*Continued from page 87*)

measure of stability. These are the ingredients of progressive industry.

In the matter of stability of earnings some companies have been more favored than others, notably those which manufacture specialized equipment which is leased on an annual rental basis and not sold. Remington Rand and International Business Machines derive substantial revenues from this source.

Obviously the leasing system will function profitably only so long as a company can control its basic patents, which, of course, are subject to expiration. Although additional features are patented currently, once the fundamental mechanism becomes available, general manufacture and increasing competition will doubtless ensue. While research and development will have a tendency to safeguard a company against serious set-back through the expiration of basic patents, it should be borne in mind that an element of impermanence attaches to the current advantages of the leasing system.

Some lines of office equipment such as cash registers and typewriters have practically reached the point where replacements are the major source of domestic demand. Leading manufacturers, however, aware of this situation, have broadened their scope to include accounting, billing, and tabulating machines for which there exists a large potential market.

Weathering the depression in a commendable fashion, the business equipment industry reveals a distinctly sound financial position. Despite the fact that the industry was an active participant in the late era of consolidations and mergers, it is relatively free from cumbersome capitalizations and in the aggregate there is an unusually high equity ratio for representative common stocks. A number of companies have paid dividends continuously through the years of depression, while in the case of others a strong balance sheet position suggests that junior shareholders will not have to wait long for dividends once business shows reasonable vitality.

Looking ahead in an attempt to gauge longer term prospects a constructive viewpoint would seem adequately supported. Because the appliances produced by the industry are indispensable to modern business and because the mechanization of offices, both large and small, is steadily proceeding, with added impetus being given to this trend by the desire to cut administrative costs, continued growth of the industry in domestic fields is clearly indicated. Although the uncertainties of the foreign situation tend to obscure the immediate export prospect, possibilities in this direction are almost unlimited and will be dissipated only by the unlikely event of complete national isolation.

For Profit and Income

(*Continued from page 92*)

reduction which has been ordered and which the company is contesting in the courts, it does serve to bring home in no uncertain terms to the hundred-thousand stockholders the monstrous effect of rising costs and taxes. On the other hand, the Consolidated Gas, Electric Light & Power Co. of Baltimore must have some means of offsetting these adverse influences which are general throughout the country. For the same three months' period this company earned 74 cents a common share, compared with 93 cents in the corresponding period of 1933. Such a showing under the circumstances must be considered excellent.

Significant Foreign Events

(*Continued from page 75*)

and we've been doing that. On the other hand, England buys from Germany a great deal more than she sells, so that when she says to Germany "Pay us, or else . . . " it means something. It means that unless Germany pays "voluntarily," England will pay herself by confiscating part of the money due Germany on account of the latter's exports. Hence, this agreement which in addition to the payment of interest on the Young and Dawes loans includes (1) An immediate payment of £400,000 by Germany to England on account of commercial obligations (2) Setting aside part (provisionally fixed at 10 per cent) of the value of Germany's exports for the liquidation of the balance of these commercial debts and (3) Earmarking 55 per cent of the value of Germany's exports to Britain for the purchase of British goods. All of this goes to show how an exporting nation, such as we are, can whistle for its money, while an importing nation such as England can make its debtors jump through hoops.

New York Curb Exchange

ACTIVE ISSUES

Quotations as of Recent Date

Name and Dividend	1934 Price Range High	Low	Recent Price
Alum. Co. of Amer.	85¾	48¼	50
Amer. Cyanamid B (.25)	22½	14¾	15¼
Amer. Gas & Elec. (1)	33⅜	18⅝	19⅝
Amer. Lt & Tr. (1.20)	19⅜	10⅛	10¾
Amer. Superpower	4⅞	1½	1½
Assoc. Gas Elec. "A"	2⅜	7/16	½
Atlas Corp	15½	7¾	8¼
Cities Service	4¼	1½	1½
Cities Service Pfd	26⅞	11¼	14⅛
Colum. G. & E. cv. Pfd. (5)	103	67	72½
Commonwealth Edison (4)	61½	34½	41
Consol. Gas Balt. (3.60)	68	53	60⅛
Cord Corp. (.25)	8⅝	2⅞	3⅛
Creole Petroleum	14⅜	9⅝	12⅜
Distillers Cp. Seag	26⅝	8⅞	13
Elec. Bond & Share	23½	9⅛	9¼
Elec. Bond & Share Pfd. (6)	60	31	39
Elec. Pr. Assoc. (.40)	8¾	3¼	3⅜
Ford Motor of Can. "A" (50)	24⅞	15	22
Ford Motor, Ltd	10¾	5½	9½
General Aviation	9½	3	4
General Tire	99	52	58
Glen Alden Coal (1¼)	24⅜	10¾	22¾
Great A. & P. Tea N.-V. (7)	150	122	125
Gulf Oil of Pa	76¾	49¾	53½
Hudson Bay M. & S	1.5⅜	8¾	11⅝
Humble Oil (1)	46⅜	33¼	38⅛
Imperial Oil (.65)	16½	12⅝	16⅜
Inter. Petrol. (1.56)	30⅞	19⅜	29⅞
Lake Shore Mines (3)	60¼	41½	55
Niagara Hudson Pwr	9¾	3¾	4
Novadel-Agene (2)	23¼	17	20½
Pan-American Airways (.50)	51	31⅞	33½
St. Regis Paper	5⅛	1¾	1¾
South Penn Oil (1.20)	26½	17½	20
Swift & Co. (.50)	20¾	13⅞	18⅛
Swift Int'l (2)	40½	23¾	36½
United Founders	1½	½	½
United Gas Corp	3¾	1¾	1⅞
United Lt. & Pwr. A	5⅜	1½	1½
United Shoe Mach (5)	71¼	57¾	69½
Walker Hiram H. W.	57½	21¾	24⅝

TRADING on the New York Curb Exchange has relapsed into apathy over the past fortnight, following the market's inability to continue the preceding irregular recovery. Reaction to date, however, has been held in such narrow bounds as to suggest the prompt establishment of a base from which to attempt new constructive efforts, rather than the beginning of any significant downtrend.

While awaiting some clearly defined impulse either in the course of general business or in developments at Washington, the market presents a highly irregular appearance.

Oil Shares Recover

Oil stocks have firmed up substantially from recent lows, reflecting the Government's apparently successful efforts to choke off the flow of illegally-produced crude oil from Texas. Reductions in crude prices announced by several small companies, but not followed by the leaders, have now been withdrawn. Gasoline prices likewise have firmed and several cutthroat price wars in various localities have ended.

Reflecting these changes, Gulf Oil, Humble and other leading petroleum issues have advanced by 10 or 15 per cent from recent lows. Operating in South America and unrelated to the domestic picture, International Petroleum, a Standard Oil of New Jersey enterprise, continues in persistent demand around the year's highest quotation.

The gold shares under the lead of Lake Shore apparently have reversed recent declining tendencies and again are meeting with fair demand at prices appreciably above recent lows. The whiskey stocks, another group which has had its troubles stock market-wise over recent weeks, also shows rallying tendencies as the industry approaches its season of heaviest consumption.

Utilities Lag

The public utility issues remain the step-children of this market, as, indeed, they are in every listed security market. Such former popular favorites as American Gas & Electric, Electric Bond & Share and Cities Service drag along at prices only a trifle above the lowest of the year. In most instances, also, utility share prices are not far above all-time depression lows, virtually all of previous recoveries during several intervals over the past two years having been cancelled. Quite obviously, utilities have been left out of the Roosevelt recovery program.

Among industrial issues Glen Alden coal continues in demand at close to the year's best quotations, reflecting a favorable sales outlook.